

COUNCIL BLUFFS COMMUNITY SCHOOL DISTRICT

**INDEPENDENT AUDITORS' REPORT
BASIC FINANCIAL STATEMENTS
AND SUPPLEMENTAL INFORMATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS**

JUNE 30, 2012

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COUNCIL BLUFFS COMMUNITY SCHOOL DISTRICT

OFFICIALS

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
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Board of Education

(Before September 2011 Election)

Dave Coziahr	President	2011
J. J. Harvey	Vice President	2013
Bill Grove	Board Member	2011
Mark Magee	Board Member	2011
Gina Primmer	Board Member	2011
Glen Mitchell	Board Member	2013
Kim Townsend	Board Member	2013

Board of Education

(After September 2011 Election)

Dave Coziahr	President	2015
J. J. Harvey	Vice President	2013
Glen Mitchell	Board Member	2013
Kim Townsend	Board Member	2013
Troy Arthur	Board Member	2015
Bill Grove	Board Member	2015
Joe Hotz	Board Member	2015

School Officials

Dr. Martha Bruckner	Superintendent	2013
Kristy Hansen	District Secretary/Treasurer and Director of Finance	2013

COUNCIL BLUFFS COMMUNITY SCHOOL DISTRICT



Diane McGrain, CPA
Jim Menard, CPA

January 5, 2013

INDEPENDENT AUDITORS' REPORT

The Board of Education
Council Bluffs Community School District
Council Bluffs, IA 51503

We have audited the accompanying financial statements of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of Council Bluffs Community School District, as of and for the year ended June 30, 2012, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of District officials. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of the Council Bluffs Community School District as of June 30, 2012, and the respective changes in financial position and cash flows, where applicable, for the year then ended in conformity with U.S. generally accepted accounting principles.

In accordance with *Government Auditing Standards* we have also issued our report dated January 5, 2013, on our consideration of Council Bluffs Community School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, grants, agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Governmental Auditing Standards* and should be considered in assessing the results of our audit.

Continued . . .

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January 5, 2013
Council Bluffs Community School District
Independent Auditors' Report

U.S. generally accepted accounting principles require Management's Discussion and Analysis, the Budgetary Comparison Information and the Schedule of Funding Progress for the Retiree Health Plan on pages 9 through 17 and 53 through 56 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board which considers it to be an essential part of the financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with U.S. generally accepted auditing standards, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the required supplementary information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Council Bluffs Community School District's basic financial statements. We previously audited, in accordance with the standards referred to in the second paragraph of this report, the financial statements for the year ended June 30, 2011 (which are not presented herein) and expressed unqualified opinions on those financial statements. The financial statements for the seven years ended June 30, 2010 (which are not presented herein) were audited by other auditors, who expressed unqualified opinions on those financial statements. The supplementary information included in Schedules 1 through 8, including the Schedule of Expenditures of Federal Awards required by U.S. Office of Management and Budget (OMB) circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in our audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with U.S. generally accepted auditing standards. In our opinion, the supplementary information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Schroer & Associates, PC

MANAGEMENT'S DISCUSSION AND ANALYSIS

MANAGEMENT'S DISCUSSION AND ANALYSIS

The Council Bluffs Community School District provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2012. We encourage readers to consider this information in conjunction with the District's financial statements, which follow.

2012 Financial Highlights

- General Fund revenues increased \$2,061,480 from \$98,560,159 in fiscal 2011 to \$100,621,639 in fiscal 2012. The increase in General Fund revenues can be attributed to increases in property tax, tuition, and state revenues received by the District. General Fund expenditures decreased from \$94,764,400 in fiscal 2011 to \$94,340,001 in fiscal 2012 due in part to staff reductions, and reductions in operating expenses. The difference between fiscal 2012 revenues of \$100,621,639 and expenses of \$94,340,001 results in a net increase in fund balance of \$6,281,638. As a result, the District's General Fund balance increased from \$6,131,982 in fiscal 2011 to a balance of \$12,413,620 in fiscal 2012. This represents a 102.4% increase from the prior year.
- The District's solvency ratio (unreserved-undesignated fund balance/general fund revenues) increased from 5.08% at June 30, 2011 to 10.8% at June 30, 2012. The State School Budget Review Committee recommends a solvency ratio of 5%-10%.

USING THIS ANNUAL REPORT

The annual report consists of a series of financial statements and other information, as follows:

- Management's Discussion and Analysis introduces the basic financial statements and provides an analytical overview of the District's financial activities.
- The Government-wide Financial Statements consist of a Statement of Net Assets and a Statement of Activities. These provide information about the activities of Council Bluffs Community School District as a whole and present an overall view of the District's finances.
- The Fund Financial Statements tell how governmental services were financed in the short term as well as what remains for future spending. Fund financial statements report Council Bluffs Community School District's operations in more detail than the government-wide statements by providing information about the most significant funds. The remaining statements provide financial information about activities for which Council Bluffs Community School District acts solely as an agent or custodian for the benefit of those outside of the School District.
- Notes to Financial Statements provide additional information essential to a full understanding of the data provided in the basic financial statements.
- Required Supplementary Information further explains and supports the financial statements with a comparison of the District's budget for the year, as well as presenting the Schedule of Funding Progress for the Retiree Health Plan.

- Supplementary Information provides detailed information about the nonmajor funds. In addition, the Schedule of Expenditures of Federal Awards provides details of various programs benefiting the District.

Figure A-1 shows how the various parts of this annual report are arranged and related to one another.

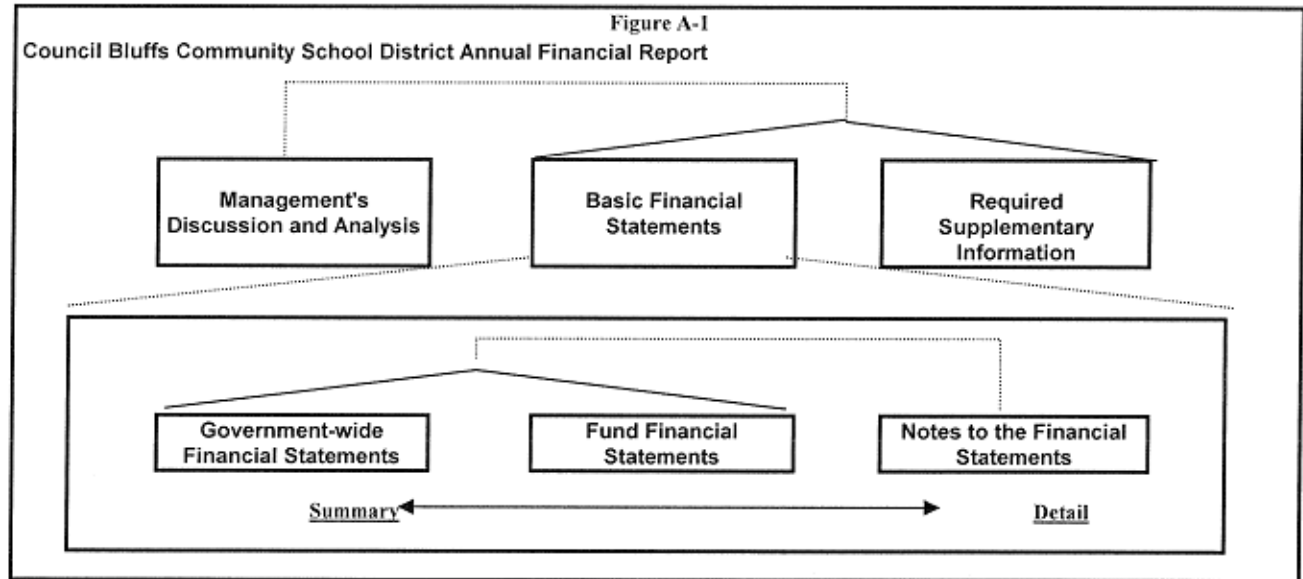


Figure A-2 summarizes the major features of the District's financial statements, including the portion of the District's activities they cover and the types of information they contain.

Figure A-2

Major Features of the Government-Wide and Fund Financial Statements

	Government-wide Statements	Fund Statements		
		Governmental Funds	Proprietary Funds	Fiduciary Funds
Scope	Entire district (except fiduciary funds)	The activities of the District that are not proprietary or fiduciary, such as special education and building maintenance	Activities the District operates similar to private businesses: food services and adult education	Instances in which the District administers resources on behalf of someone else
Required financial statements	<ul style="list-style-type: none"> • Statement of net assets • Statement of activities 	<ul style="list-style-type: none"> • Balance Sheet • Statement of revenues, expenditures, and changes in fund balances 	<ul style="list-style-type: none"> • Statement of net assets • Statement of revenues, expenses and changes in net assets • Statement of cash flows 	<ul style="list-style-type: none"> • Statement of fiduciary net assets • Statement of changes in fiduciary net assets
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus	Accrual accounting and economic resources focus
Type of asset/liability information	All assets and liabilities, both financial and capital, short-term and long-term	Generally assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets or long-term liabilities included	All assets and liabilities, both financial and capital, short-term and long-term	All assets and liabilities, both short-term and long-term: funds do not currently contain capital assets, although they can
Type of inflow/outflow information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and the related liability is due during the year or soon thereafter	All revenues and expenses during year, regardless of when cash is received or paid	All additions and deductions during the year, regardless of when cash is received or paid

REPORTING OF DISTRICT'S FINANCIAL ACTIVITIES

Government-wide Statements

The government-wide statements report information about the District as a whole using accounting methods similar to those used by private-sector companies. The Statement of Net Assets includes all of the District's assets and liabilities. All of the current year's revenues and expenses are accounted for in the Statement of Activities, regardless of when cash is received or paid.

The two government-wide statements report the District's *net assets* and how they have changed. Net assets – the difference between the District's assets and liabilities – are one way to measure the District's financial health or position. Over time, increases or decreases in the District's net assets are an indicator of whether financial position is improving or deteriorating, respectively. To assess the District's overall health, additional non-financial factors such as changes in the District's property tax base and the condition of school buildings and other facilities need to be considered.

In the government-wide financial statements, the District's activities are divided into two categories:

- *Governmental activities:* Most of the District's basic services are included here, such as regular and special education, transportation, and administration. Property tax and state aid finance most of these activities.
- *Business-type activities:* The District charges fees to help cover the costs of certain services it provides. The District's school nutrition program and self-insurance program is included here.

Fund Financial Statements

The fund financial statements provide more detailed information about the District's funds, focusing on its most significant or "major" funds – not the District as a whole. Funds are accounting devices the District uses to keep track of specific sources of funding and spending on particular programs.

Some funds are required by state law and by bond covenants. The District establishes other funds to control and manage money for particular purposes, such as accounting for student activity funds or to show that it is properly using certain revenues such as federal grants.

The District has three kinds of funds:

1. *Governmental funds:* Most of the District's basic services are included in governmental funds, which generally focus on (1) how cash and other financial assets that can readily be converted to cash flow in and out, and (2) the balances left at year-end that are available for spending. Consequently, the governmental fund statements provide a detailed short-term view that helps determine whether there are more or fewer financial resources that can be spent in the near future to finance District's programs.

The District's governmental funds include the General Fund, Special Revenue Funds, Debt Service Fund, and Capital Projects Fund.

The required financial statements for governmental funds include a Balance Sheet and a Statement of Revenues, Expenditures, and Changes in Fund Balances.

2. *Proprietary funds:* Services for which the District charges a fee are generally reported in proprietary funds. Proprietary funds are reported in the same way as the government-wide statements. The District's Enterprise Fund, one type of proprietary fund, are the same as its business-type activities but provide more detail and additional information such as cash flows. The District's Enterprise Fund is the School Nutrition Fund. Internal service funds are used to report the same functions presented as governmental activities in the government-wide financial statements. The District maintains one internal service fund to account for the premium and claim payments for the self-insured health insurance plans for District employees. Internal service funds are an accounting device used to accumulate and allocate costs internally among the District's various functions.

The required financial statements for proprietary funds include a Statement of Revenues, Expenses, and Changes in Fund Net Assets, and a Statement of Cash Flows.

3. *Fiduciary funds:* The District is the trustee, or fiduciary, for assets that belong to others. The District has one Fiduciary Fund, the Agency Fund.

The District is responsible for ensuring the assets reported in fiduciary funds are used only for their intended purposes and by those to whom the assets belong. The District excludes these activities from the government-wide financial statements because it cannot use these assets to finance its operations.

The required financial statements for fiduciary funds include a Statement of Fiduciary Net Assets and a Statement of Changes in Fiduciary Net Assets.

Reconciliations between the government-wide financial statements and the fund financial statements follow the fund financial statements.

Government-Wide Financial Analysis

Net assets – Figure A-3 below provides a summary of the District's net assets at June 30, 2012 compared to June 30, 2011.

	Figure A-3 Condensed Statement of Net Assets							
	Governmental Activities June 30,		Business-type Activities June 30,		Total School District June 30,		Total Change June 30,	
	2012	2011	2012	2011	2012	2011	2011-2012	
Current and other assets	\$ 86,803,549	\$ 79,231,064	\$ 385,341	\$ 185,085	\$ 87,188,890	\$ 79,416,149	9.79%	
Capital assets	136,163,172	133,852,398	258,880	301,633	136,422,052	134,154,031	1.69%	
Total assets	222,966,721	213,083,462	644,221	486,718	223,610,942	213,570,180	4.70%	
Long-term obligations	80,760,318	72,863,204	40,363	44,449	80,800,681	72,907,653	10.83%	
Other liabilities	48,956,706	54,881,778	236,198	744,904	49,192,904	55,626,682	(11.57%)	
Total liabilities	129,717,024	127,744,982	276,561	789,353	129,993,585	128,534,335	1.14%	
Net assets:								
Invested in capital assets								
Net of related debt	56,108,172	62,297,398	258,880	301,633	56,367,052	62,599,031	(9.96%)	
Restricted	25,959,968	19,100,335	-0-	-0-	25,959,968	19,100,335	35.91%	
Unrestricted	11,181,557	3,940,747	108,780	(604,268)	11,290,337	3,336,479	238.39%	
Total net assets	\$ 93,249,697	\$ 85,338,480	\$ 367,660	\$ (302,635)	\$ 93,617,357	\$ 85,035,845	10.09%	

The District's combined net assets increased by 10.09%, or \$8,581,512 over the prior year. The largest portion of the District's net assets is the invested in capital assets, net of related debt. The debt related to the investment in capital assets is liquidated with sources other than capital assets.

Restricted net assets represent resources that are subject to external restrictions, constitutional provisions, or enabling legislation on how they can be used. The District's restricted net assets increased

approximately 35.91%, or \$6,859,633 compared to the prior year. The increase was primarily a result of issuing revenue bonds for facility renovation or construction and reserves for payment of long-term debt.

Unrestricted net assets – the part of net assets that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation, or other legal requirements – increased \$7,953,858 or 238.39%. The increase in unrestricted fund balance was mainly a result of the increase in fund balance of the General Fund.

Changes in net assets – Figure A-4 shows the changes in net assets for the year ended June 30, 2012 compared to the year ended June 30, 2011.

Figure A-4 Changes in Net Assets								
	Governmental Activities		Business-type Activities		Total School District		Total Change	
	June 30,		June 30,		June 30,			
	2012	2011	2012	2011	2012	2011	2011-	2012
Revenues:								
Program revenues:								
Charges for services	\$ 4,027,423	\$ 3,558,651	\$ 1,239,121	\$ 1,122,488	\$ 5,266,544	\$ 4,681,139		12.5%
Operating grants, contributions and restricted interest	20,216,234	20,138,622	3,590,936	3,212,058	23,807,170	23,350,680		1.95%
Capital grants, contributions, and restricted interest	2,615,136	531,234	-0-	-0-	2,615,136	531,234		392.2%
General revenue:								
Property tax	37,121,563	36,147,835	-0-	-0-	37,121,563	36,147,835		2.69%
Statewide sales, services and use tax	8,203,544	8,331,428	-0-	-0-	8,203,544	8,331,428		(1.53%)
Unrestricted state grants	45,314,611	43,545,140	-0-	-0-	45,314,611	43,545,140		4.06%
Other	56,261	864,033	9	668	56,270	864,701		(93.5%)
Total revenues	117,554,772	113,116,943	4,830,066	4,335,214	122,384,838	117,452,157		4.2%
Program expenses:								
Governmental activities:								
Instruction	65,781,406	68,262,823	-0-	-0-	65,781,406	68,262,823		(3.64%)
Support services	27,431,476	25,966,851	-0-	-0-	27,431,476	25,966,851		5.64%
Non-instructional programs	-0-	-0-	4,159,771	4,298,231	4,159,771	4,298,231		(3.22%)
Other expenses	16,430,673	11,518,058	-0-	-0-	16,430,673	11,518,058		42.65%
Total expenses	109,643,555	105,747,732	4,159,771	4,298,231	113,803,326	110,045,963		3.41%
Change in net assets	7,911,217	7,369,211	670,295	36,983	8,581,512	7,406,194		15.87%
Beginning Net Assets	85,338,480	77,969,269	(302,635)	(339,618)	85,035,845	77,629,651		9.54%
Ending Net Assets	\$ 93,249,697	\$ 85,338,480	\$ 367,660	\$ (302,635)	\$ 93,617,357	\$ 85,035,845		10.09%

In fiscal 2012, property tax, statewide sales, service and use tax and unrestricted state grants account for 77.1% of the revenue from governmental activities while charges for services and operating grants and contributions account for 100% of the revenue from business type activities.

The District's total revenues were approximately \$122.4 million of which \$117.6 million was for governmental activities and \$4.8 million was for business type activities.

As shown in Figure A-4, the District as a whole experienced a 4.2% increase in revenues and a 3.41% increase in expenses. Unrestricted state grants and charges for services increased approximately \$2.2 million to fund increase in expenses. The increase in expenses related to payment of debt principal and interest, and depreciation.

Governmental Activities

Revenues for governmental activities were \$117,554,772 and expenses were \$109,643,555 for the year ended June 30, 2012. In a difficult budget year, the District levied a cash reserve levy and minimized increases in expenditures to increase the District's solvency ratio to recommendations.

The following table presents the total and net cost of the District's major governmental activities: instruction, support services, non-instructional programs, and other expenses for the year ended June 30, 2012 compared to the year ended June 30, 2011.

Figure A-5
Total and Net Cost of Governmental Activities

	Total Cost of Services			Net Cost of Services		
	June 30,			June 30,		
	2012	2011	Change 2011-12	2012	2011	Change 2011-12
Instruction	\$ 65,781,406	\$ 68,262,823	(3.64%)	\$ 46,751,669	\$ 50,095,599	(6.68%)
Support services	27,431,476	25,966,851	5.64%	25,784,008	24,398,116	5.68%
Other expenses	16,430,673	11,518,058	42.65%	10,249,085	7,025,510	45.88%
Totals	\$ 109,643,555	\$ 105,747,732	3.68%	\$ 82,784,762	\$ 81,519,225	1.55%

- The cost financed by users of the District's programs was \$4,027,423.
- Federal and state governments subsidized certain programs with grants and contributions totaling \$20,216,234.
- The net cost of governmental activities was financed with \$37,121,563 in property tax, \$8,203,544 in statewide sales, services and use tax, \$45,314,611 in unrestricted state grants, \$35,194 in interest income and \$21,067 in other general revenues.

Business-Type Activities

Revenues of the District's business-type activities were \$4,830,057 and expenses were \$4,159,771. The District's business-type activities include the School Nutrition Fund. Revenues of these activities were comprised of charges for services, federal and state reimbursements, and investment income.

Individual Fund Analysis

As previously noted, the Council Bluffs Community School District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

The financial performance of the District as a whole is reflected in its governmental funds as well. As the District completed the year, its governmental funds reported combined fund balances of \$38,630,885 for 2012 and \$25,537,633 for 2011. All governmental funds experienced an increase in fund balance related to increases in revenues, bond proceeds, and funds held in reserves for repayment of debt.

Governmental Fund Highlights

- The District's General Fund financial position is the product of many factors. Growth during the year in tax and state grants resulted in an increase in revenues. The increase in revenues was enough to offset the District's increase in General Fund expenditures, resulting in a fund balance increase from \$6,131,982 to \$12,413,620.
- The Capital Project Fund balance increase from \$11,640,466 in fiscal 2011 to a balance of \$14,389,831 in fiscal 2012. The increase in Capital Projects Fund balance was caused by the District's issuance of sales tax revenue bonds with proceeds to be used for capital projects that are currently in progress and other projects that are planned for the summer of 2013.

- The Debt Service Fund balance increased from \$7,149,871 in fiscal 2011 to a balance of \$11,196,996 in fiscal 2012. The increase was due to operating transfers from the Capital Projects Fund.

Proprietary Fund Highlights

The School Nutrition Fund net assets increased from a deficit \$302,635 at June 30, 2011 to a positive balance of \$344,194 at June 30, 2012, representing an increase of 213.7%.

Budgetary Highlights

The District's revenues were \$930,464 more than budgeted revenues, a variance of .8%.

Total expenditures were less than budgeted, due primarily to the District's budget for the General Fund. It is the District's practice to budget expenditures at the maximum authorized spending authority for the General Fund. The District then manages or controls General Fund spending through its line-item budget. As a result, the District's certified budget should always exceed actual expenditures for the year.

Capital Asset and Debt Administration

Capital Assets

At June 30, 2012, the District had invested \$136.4 million, net of accumulated depreciation, in a broad range of capital assets including land, buildings, athletic facilities and transportation equipment. (See Figure A-6) More detailed information about capital assets is available in Note 4 to the financial statements. Depreciation expense for the year was \$7,674,665.

The original cost of the District's capital assets was \$184 million. Governmental funds account for \$183 million with the remainder of \$1 million in the Proprietary, School Nutrition Fund.

The largest change in capital asset activity during the year occurred in the building and land improvements category. The District's buildings and land improvements totaled \$170,451,204 at June 30, 2012, compared to \$105,897,647 reported at June 30, 2011. The increase in building and land improvements assets was due to the District facility renovation and construction.

Figure A-6								
Capital Assets, net of Depreciation								
	Governmental Activities		Business-type Activities		Total School District		Total Change	
	June 30,		June 30,		June 30,		June 30,	
	2012	2011	2012	2011	2012	2011		
Land	\$ 1,530,039	\$ 1,530,039	\$ -0-	\$ -0-	\$ 1,530,039	\$ 1,530,039		0%
Construction in progress	\$ 7,460,655	\$ 62,188,860	\$ -0-	\$ -0-	\$ 7,460,655	\$ 62,188,860		(88%)
Buildings & land improvements	\$ 127,022,918	\$ 70,054,546	\$ -0-	\$ -0-	\$ 127,022,918	\$ 70,054,546		81.3%
Machinery & Equipment	\$ 149,560	\$ 78,953	\$ 258,880	\$ 301,633	\$ 408,440	\$ 380,586		7.3%
Totals	\$ 136,163,172	\$ 133,852,398	\$ 258,880	\$ 301,633	\$ 136,422,052	\$ 134,154,031		1.88%

Long-Term Debt

At June 30, 2012 the District had \$80,760,318 general obligation and other long-term debt outstanding. This represents an increase of approximately 10.8% from last year. (See Figure A-7) More detailed information about the District's long-term liabilities is available in Note 7 to the financial statements.

Figure A-7 Outstanding Long-Term Obligations				
	Total School District		Total Change	
	2012	2011	2011-12	
General obligation bonds	\$ 3,500,000	4,500,000	(22.2)	%
Revenue Bonds	\$ 69,405,000	59,905,000	15.9	%
Quality Zone Academy Bonds	\$ 1,500,000	1,500,000	0	%
Qualified school construction bonds	\$ 5,650,000	5,650,000	0	%
Compensated Absences	\$ 216,111	228,807	(5.5)	%
Early retirement benefits	\$ 47,192	688,086	(93.1)	%
Net OPEB Liability	\$ 442,015	391,312	13.0	%
Totals	\$ 80,760,318	72,863,205	10.8	%

Factors Bearing on the District's Future

At the time these financial statements were prepared and audited, the District was aware of several existing circumstances that could significantly affect its financial health in the future:

- The state's economy is showing limited signs of economic recovery. The economy impacts the amount of new General Fund money available to the District.
- The levels of state and federal funding for education are not keeping pace with the increases in cost and mandated growth. Although the district's financial position has improved for three consecutive years, increases in costs will put a strain on district finances.
- The District continues to show a decline in enrollment, this results in the District receiving less state aid and property taxes.
- State and Federal grants are anticipated to remain approximately the same, while fixed costs for utilities and busing service will increase.

Contacting the District's Financial Management

This financial report is designed to provide the District's citizens, taxpayers, customers, investors, and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Kristy Hansen, Director of Finance, Council Bluffs Community School District, 12 Scott Street, Council Bluffs, Iowa, 51503.

BASIC FINANCIAL STATEMENTS

COUNCIL BLUFFS COMMUNITY SCHOOL DISTRICT
STATEMENT OF NET ASSETS
JUNE 30, 2012

	Governmental Activities	Business-type Activities	Total
Assets			
Cash and cash equivalents	\$ 46,730,344	185,916	46,916,260
Receivables:			
Property tax:			
Delinquent	595,466	-	595,466
Succeeding year	34,415,008	-	34,415,008
Accounts	724,791	-	724,791
Due from other governments	3,863,039	85,970	3,949,009
Inventories	35,442	113,455	148,897
Prepaid expenses	439,459	-	439,459
Capital assets, net of accumulated depreciation	136,163,172	258,880	136,422,052
Total assets	222,966,721	644,221	223,610,942
Liabilities			
Accounts payable	3,342,830	5,148	3,347,978
Salaries and benefits payable	9,230,897	213,028	9,443,925
Accrued interest payable	1,445,942	-	1,445,942
Deferred revenue:			
Succeeding year property tax	34,415,008	-	34,415,008
Other	522,029	18,022	540,051
Long-term liabilities:			
Portion due within one year:			
General obligation bonds payable	1,000,000	-	1,000,000
Revenue bonds	2,495,000	-	2,495,000
Compensated absences payable	216,111	6,523	222,634
Early retirement payable	47,192	-	47,192
Portion due after one year:			
General obligation bonds payable	2,500,000	-	2,500,000
Revenue bonds	66,910,000	-	66,910,000
Quality zone academy bond payable	1,500,000	-	1,500,000
Qualified school construction bonds payable	5,650,000	-	5,650,000
Net other post employment benefits liability	442,015	33,840	475,855
Total liabilities	129,717,024	276,561	129,993,585
Net Assets			
Invested in capital assets, net of related debt	56,108,172	258,880	56,367,052
Restricted for:			
Categorical funding	1,227,830	-	1,227,830
Physical plant and equipment levy	3,476,595	-	3,476,595
Capital projects	10,913,236	-	10,913,236
Debt service	9,751,054	-	9,751,054
Management levy purposes	143,209	-	143,209
Student activities	448,044	-	448,044
Unrestricted	11,181,557	108,780	11,290,337
Total net assets	\$ 93,249,697	367,660	93,617,357

See notes to financial statements

**COUNCIL BLUFFS COMMUNITY SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2012**

	Expenses	Charges for Service	Program Revenues Operating Grants, Contributions and Restricted Interest
Functions/Programs			
Governmental activities:			
Instruction:			
Regular instruction	\$ 32,891,298	1,195,222	3,149,738
Special instruction	29,016,607	1,831,766	11,538,918
Other instruction	3,873,501	833,815	480,278
	<u>65,781,406</u>	<u>3,860,803</u>	<u>15,168,934</u>
Support services:			
Student services	2,806,287	-	140,321
Instructional staff services	2,884,499	-	939,427
Administration services	11,155,348	-	265,206
Operation and plant maintenance	7,569,129	128,090	3,558
Transportation services	3,016,213	38,530	132,336
	<u>27,431,476</u>	<u>166,620</u>	<u>1,480,848</u>
Other expenditures:			
Facilities acquisition	2,343,318	-	-
Long-term debt interest	2,959,476	-	23,758
AEA flowthrough	3,542,694	-	3,542,694
Depreciation (unallocated)*	7,585,185	-	-
	<u>16,430,673</u>	<u>-</u>	<u>3,566,452</u>
Total governmental activities	<u>109,643,555</u>	<u>4,027,423</u>	<u>20,216,234</u>
Business-type activities:			
Non-instructional programs:			
Nutrition services	4,159,771	1,239,121	3,590,936
	<u>4,159,771</u>	<u>1,239,121</u>	<u>3,590,936</u>
Total	<u>\$ 113,803,326</u>	<u>5,266,544</u>	<u>23,807,170</u>
General Revenues:			
Property tax levied for:			
General purposes			
Debt service			
Capital outlay			
Local option sales tax			
Unrestricted state grants			
Unrestricted investment earnings			
Other			
Total general revenues			
Change in net assets			
Net assets beginning of year			
Net assets end of year			

* This amount excludes the depreciation that is included in the direct expense of the various programs

Exhibit B

Capital Grants Contributions and Restricted Interest	Net (Expense) Revenue and Changes in Net Assets		
	Governmental Activities	Business-Type Activities	Total
-	(28,546,338)	-	(28,546,338)
-	(15,645,923)	-	(15,645,923)
-	(2,559,408)	-	(2,559,408)
-	(46,751,669)	-	(46,751,669)
-	(2,665,966)	-	(2,665,966)
-	(1,945,072)	-	(1,945,072)
-	(10,890,142)	-	(10,890,142)
-	(7,437,481)	-	(7,437,481)
-	(2,845,347)	-	(2,845,347)
-	(25,784,008)	-	(25,784,008)
-	(2,343,318)	-	(2,343,318)
2,615,136	(320,582)	-	(320,582)
-	-	-	-
-	(7,585,185)	-	(7,585,185)
2,615,136	(10,249,085)	-	(10,249,085)
2,615,136	(82,784,762)	-	(82,784,762)
-	-	670,286	670,286
2,615,136	(82,784,762)	670,286	(82,114,476)
	33,959,251	-	33,959,251
	1,065,841	-	1,065,841
	2,096,471	-	2,096,471
	8,203,544	-	8,203,544
	45,314,611	-	45,314,611
	35,194	9	35,203
	21,067	-	21,067
	90,695,979	9	90,695,988
	7,911,217	670,295	8,581,512
	85,338,480	(302,635)	85,035,845
	93,249,697	367,660	93,617,357

See notes to financial statements

**COUNCIL BLUFFS COMMUNITY SCHOOL DISTRICT
GOVERNMENTAL FUND BALANCE SHEET
YEAR ENDED JUNE 30, 2012**

	General	Capital Projects	Debt Service
ASSETS			
Assets:			
Cash and pooled investments	\$ 20,163,289	14,242,580	11,180,015
Receivables:			
Property tax:			
Delinquent	511,817	33,401	16,981
Succeeding year	29,157,471	2,095,816	1,061,719
Accounts	720,502	-	-
Due from other governments	2,275,006	1,588,033	-
Inventories	35,442	-	-
Prepaid Expenses	309,519	-	-
	<u>53,173,046</u>	<u>17,959,830</u>	<u>12,258,715</u>
Total assets	\$		
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts payable	\$ 1,849,029	1,474,183	-
Salaries and benefits payable	9,230,897	-	-
Deferred revenue:			
Succeeding year property tax	29,157,471	2,095,816	1,061,719
Other	522,029	-	-
Total liabilities	40,759,426	3,569,999	1,061,719
Fund balances:			
Nonspendable:			
Inventories	35,442	-	-
Prepaid expenses	309,519	-	-
Restricted for:			
Categorical funding	1,227,830	-	-
School infrastructure	-	10,913,236	-
Physical plant and equipment	-	3,476,595	-
Debt service	-	-	11,196,996
Management levy purposes	-	-	-
Student activities	-	-	-
Unassigned	10,840,829	-	-
Total fund balances	12,413,620	14,389,831	11,196,996
	<u>53,173,046</u>	<u>17,959,830</u>	<u>12,258,715</u>
Total liabilities and fund balances	\$		

See notes to financial statements

Exhibit C

Nonmajor Governmental	Total
482,560	46,068,444
33,267	595,466
2,100,002	34,415,008
4,289	724,791
-	3,863,039
-	35,442
129,940	439,459
<u>2,750,058</u>	<u>86,141,649</u>
19,618	3,342,830
-	9,230,897
2,100,002	34,415,008
-	522,029
<u>2,119,620</u>	<u>47,510,764</u>
-	35,442
129,940	439,459
-	1,227,830
-	10,913,236
-	3,476,595
-	11,196,996
52,454	52,454
448,044	448,044
-	10,840,829
<u>630,438</u>	<u>38,630,885</u>
<u>2,750,058</u>	<u>86,141,649</u>

**COUNCIL BLUFFS COMMUNITY SCHOOL DISTRICT
RECONCILIATION OF THE BALANCE SHEET –
GOVERNMENTAL FUNDS TO THE STATEMENT OF NET ASSETS
YEAR ENDED JUNE 30, 2012**

Total fund balances of governmental funds	\$ 38,630,885
<i>Amounts reported for governmental activities in the Statement of Net Assets are different because:</i>	
Capital assets used in governmental activities are not financial resources, and therefore, are not reported as assets in the governmental funds.	136,163,172
An internal service fund is used by management to fund and maintain the self funding portion of the District's health insurance provided to user departments. A portion of the assets of the internal service fund are included in the governmental activities in the Statement of Net Assets.	661,900
Accrued interest payable on long-term liabilities is not due and payable in the current period, and therefore, is not reported as a liability in the governmental funds.	(1,445,942)
Long-term liabilities, including bonds payable and compensated absences, are not due and payable in the current period, and therefore, are not reported as liabilities of the governmental funds.	<u>(80,760,318)</u>
Net assets of governmental activities	\$ <u>93,249,697</u>

See notes to financial statements

COUNCIL BLUFFS COMMUNITY SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -
GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2012

	General	Capital Projects	Debt Service
Revenues:			
Local sources:			
Local tax	\$ 31,886,666	10,300,015	1,065,841
Tuition	2,777,515	-	-
Other	3,712,073	1,965,136	23,758
State sources	55,525,497	-	-
Federal sources	6,719,888	650,000	-
Total revenues	<u>100,621,639</u>	<u>12,915,151</u>	<u>1,089,599</u>
Expenditures:			
Current:			
Instruction:			
Regular instruction	32,873,598	183,663	-
Special instruction	29,276,353	-	-
Other instruction	3,081,806	-	-
	<u>65,231,757</u>	<u>183,663</u>	<u>-</u>
Support services:			
Student services	2,829,534	-	-
Instructional staff services	3,072,448	-	-
Administration services	9,868,361	104,461	-
Operation and maintenance of plant services	7,111,833	198,585	-
Transportation services	2,683,374	351,000	-
	<u>25,565,550</u>	<u>654,046</u>	<u>-</u>
Other expenditures:			
Facilities acquisition	-	12,168,670	-
Long-term debt:			
Principal	-	-	1,000,000
Interest and fiscal charges	-	167,585	2,646,131
AEA flowthrough	3,542,694	-	-
Total	<u>3,542,694</u>	<u>12,336,255</u>	<u>3,646,131</u>
	<u>94,340,001</u>	<u>13,173,964</u>	<u>3,646,131</u>
Excess (deficiency) of revenues over (under) expenditures	6,281,638	(258,813)	(2,556,532)
Other financing sources (uses):			
Revenue bond issuance	-	9,611,835	-
Operating transfers in	-	-	6,603,657
Operating transfers out	-	(6,603,657)	-
Total other financing sources (uses)	<u>-</u>	<u>3,008,178</u>	<u>6,603,657</u>
Net change in fund balances	6,281,638	2,749,365	4,047,125
Fund balances beginning of year	<u>6,131,982</u>	<u>11,640,466</u>	<u>7,149,871</u>
Fund balances end of year	<u>\$ 12,413,620</u>	<u>14,389,831</u>	<u>11,196,996</u>

See notes to financial statements

Exhibit E

<u>Nonmajor Governmental</u>	<u>Total</u>
2,072,584	45,325,106
-	2,777,515
855,799	6,556,766
-	55,525,497
-	7,369,888
<u>2,928,383</u>	<u>117,554,772</u>
73,848	33,131,109
-	29,276,353
<u>805,410</u>	<u>3,887,216</u>
879,258	66,294,678
-	2,829,534
390,748	3,463,196
1,302,461	11,275,283
337,132	7,647,550
3,660	3,038,034
<u>2,034,001</u>	<u>28,253,597</u>
-	12,168,670
-	1,000,000
-	2,813,716
-	3,542,694
-	19,525,080
<u>2,913,259</u>	<u>114,073,355</u>
15,124	3,481,417
-	9,611,835
-	6,603,657
-	(6,603,657)
-	9,611,835
15,124	13,093,252
<u>615,314</u>	<u>25,537,633</u>
<u>630,438</u>	<u>38,630,885</u>

**COUNCIL BLUFFS COMMUNITY SCHOOL DISTRICT
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES - GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2012**

Net change in fund balances - total governmental funds		\$ 13,093,252
<i>Amounts reported for governmental activities in the Statement of Activities are different because:</i>		
Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures. However, those costs are reported in the Statement of Net Assets and are allocated over their estimated useful lives as depreciation expense in the Statement of Activities. The amounts of capital outlays and depreciation expense in the year are as follows:		
Capital outlays	\$ 9,940,836	
Depreciation expense	<u>(7,630,062)</u>	2,310,774
An internal service fund is used by management to fund and maintain the self funding portion of the District's health insurance provided to user departments. A portion of the net income of the Internal Service Fund is included in the governmental activities in the Statement of Net Assets.		661,900
Issuance of long term debt principal is an other financing source in the governmental funds, but it increases long term liabilities in the Statement of Net Assets.		(9,500,000)
Repayment of long-term debt principal is an expenditure in the governmental funds, but it reduces long-term liabilities in the Statement of Net Assets.		1,000,000
Interest on long-term debt in the Statement of Activities differs from the amount reported in the governmental funds because interest is recorded as an expenditure in the funds when due. In the Statement of Activities, interest expense is recognized as the interest accrues, regardless of when it is due.		(257,595)
Some expenses reported in the Statement of Activities do not require the use of current financial resources, and therefore, are not reported as expenditures in the governmental funds.		
Other post employment benefits	(50,703)	
Early retirement	640,893	
Compensated absences	<u>12,696</u>	602,886
Change in net assets of governmental activities		\$ <u>7,911,217</u>

See notes to financial statements

**COUNCIL BLUFFS COMMUNITY SCHOOL DISTRICT
STATEMENT OF NET ASSETS - PROPRIETARY FUND
YEAR ENDED JUNE 30, 2012**

	<u>Enterprise School Nutrition</u>	<u>Internal Service Employee Health</u>
Assets		
Cash and cash equivalents	\$ 162,450	685,366
Due from other governments	85,970	-
Inventories	113,455	-
Capital assets, net of accumulated depreciation	258,880	-
Total assets	<u>620,755</u>	<u>685,366</u>
Liabilities		
Accounts payable	5,148	-
Salaries and benefits payable	213,028	-
Deferred revenue	18,022	-
Compensated absences	6,523	-
Net OPEB liability	33,840	-
Total liabilities	<u>276,561</u>	<u>-</u>
Net Assets (Liabilities)		
Invested in capital assets	258,880	-
Unrestricted	85,314	685,366
Total net assets (liabilities)	<u>\$ 344,194</u>	<u>685,366</u>

See notes to financial statements

**COUNCIL BLUFFS COMMUNITY SCHOOL DISTRICT
RECONCILIATION OF THE STATEMENT OF NET ASSETS - ENTERPRISE FUND
TO THE STATEMENT OF NET ASSETS
YEAR ENDED JUNE 30, 2012**

Total net assets of the enterprise fund	\$	344,194
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*Amounts reported for business type activities in the Statement of
Net Assets are different because:*

An internal service fund is used by management to fund and maintain the self
funding portion of the District's health insurance provided to user departments.
A portion of the assets of the Internal Service Fund are included in the
business type activities in the Statement of Net Assets

23,466

Net assets of business type activities	\$	<u>367,660</u>
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**COUNCIL BLUFFS COMMUNITY SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENSES AND CHANGES
IN NET ASSETS - PROPRIETARY FUND
YEAR ENDED JUNE 30, 2012**

	Enterprise School Nutrition	Internal Service Employee Health
Operating revenue:		
Local sources:		
Charges for service	\$ 1,239,121	723,495
Operating expenses:		
Support services:		
Administration services	-	38,136
Non-instructional programs:		
Food service operations:		
Salaries	1,341,719	-
Benefits	503,425	-
Purchased services	63,247	-
Supplies	2,229,826	-
Miscellaneous	418	-
Depreciation	44,602	-
Total operating expenses	<u>4,183,237</u>	<u>38,136</u>
Operating income (loss)	(2,944,166)	685,359
Non-operating revenue:		
State sources	39,624	-
Federal sources	3,551,312	-
Interest on investments	9	7
Total non-operating revenue	<u>3,590,945</u>	<u>7</u>
Change in net assets	646,829	685,366
Net assets (deficit) beginning of year	<u>(302,635)</u>	<u>-</u>
Net assets end of year	\$ <u>344,194</u>	<u>685,366</u>

See notes to financial statements

**COUNCIL BLUFFS COMMUNITY SCHOOL DISTRICT
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENSES AND CHANGES
IN NET ASSETS - ENTERPRISE FUND TO THE STATEMENT OF NET ASSETS
YEAR ENDED JUNE 30, 2012**

Net change in net assets - total enterprise funds	\$	646,829
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*Amounts reported for governmental activities in the Statement of
Activities are different because:*

An internal service fund is used by management to fund and maintain the self
funding portion of the District's health insurance provided to user departments.
A portion of the assets of the Internal Service Fund are included in the
business type activities in the Statement of Net Assets

23,466

Net assets of business type activities	\$	<u>670,295</u>
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**COUNCIL BLUFFS COMMUNITY SCHOOL DISTRICT
STATEMENT OF CASH FLOWS - PROPRIETARY FUND
YEAR ENDED JUNE 30, 2012**

	School Nutrition	Internal Service
Cash flows from operating activities:		
Cash received from sale of lunches and breakfasts	\$ 1,216,633	-
Cash received from other funds	-	723,495
Cash payments to employees for services	(1,851,425)	-
Cash payments to suppliers for goods or services	(2,509,611)	(38,136)
Net cash provided (used) by operating activities	(3,144,403)	685,359
Cash flows from non-capital financing activities:		
State grants received	39,624	-
Federal grants received	3,258,311	-
Net cash provided by non-capital financing sources	3,297,935	-
Cash flows from capital and related financing activities:		
Acquisition of capital assets	(1,850)	-
Net cash used by capital and related financing activities	(1,850)	-
Cash flows from investing activities:		
Interest on investments	9	7
Net increase in cash and cash equivalents	151,691	685,366
Cash and cash equivalents, beginning of year	10,759	-
Cash and cash equivalents, end of year	\$ 162,450	685,366
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:		
Operating income (loss)	\$ (2,944,116)	685,359
Commodities used	293,001	-
Depreciation	44,602	-
(Increase) in receivables	(21,008)	-
(Increase) in inventories	(4,091)	-
(Decrease) in payables	(505,030)	-
(Decrease) in salaries and benefits payable	(6,281)	-
(Decrease) in deferred revenue	(1,480)	-
Net cash provided (used) by operating activities	\$ (3,144,403)	685,359

Non-cash investing, capital and financing activities:

During the year ended June 30, 2012, the District received \$293,001 of federal commodities.

See notes to financial statements

**COUNCIL BLUFFS COMMUNITY SCHOOL DISTRICT
STATEMENT OF FIDUCIARY NET ASSETS - FIDUCIARY FUNDS
YEAR ENDED JUNE 30, 2012**

	<u>Agency</u>
Assets	
Cash and pooled investments	\$ 780
Accounts receivable	<u>206</u>
Total assets	<u>986</u>
Liabilities	
Accounts payable	825
Due from other governments	<u>161</u>
Total liabilities	<u>986</u>
Net Assets	
Unrestricted	\$ <u>-</u>

See notes to financial statements

**COUNCIL BLUFFS COMMUNITY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2012**

NOTE 1 Summary of Significant Accounting Policies

The Council Bluffs Community School District is a political subdivision of the State of Iowa and operates public schools for children in grades pre-kindergarten through twelve. Additionally, the District either operates or sponsors various adult education programs. These courses include remedial education as well as vocational and recreational courses. The geographic area served includes the Cities of Carter Lake, Crescent and Council Bluffs, Iowa and the predominate agricultural territory in Pottawattamie County. The District is governed by a Board of Education whose members are elected on a non-partisan basis.

The District financial statements are prepared in conformity with U.S. generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board.

A. Reporting Entity

For financial reporting purposes, Council Bluffs Community School District has included all funds, organizations, agencies, boards, commissions and authorities. The District has also considered all potential component units for which it is financially accountable, and other organizations for which the nature and significance of their relationship with the District are such that exclusion would cause the District's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body, and (1) the ability of the District to impose its will on that organization or (2) the potential for the organization to provide specific benefits to, or impose specific financial burdens on the District. The Council Bluffs Community School District has no component units which meet the Governmental Accounting Standards Board criteria.

Jointly Governed Organizations – The District participates in jointly governed organizations that provides services to the District but does not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. The District is a member of the Pottawattamie County Assessor's Conference Boards.

B. Basis of Presentation

Government-wide financial statements – The Statement of Net Assets and the Statement of Activities report information on all of the nonfiduciary activities of the District. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by tax and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for service.

The Statement of Net Assets presents the District's nonfiduciary assets and liabilities, with the difference reported as net assets. Net assets are reported in the following categories:

**COUNCIL BLUFFS COMMUNITY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2012**

NOTE 1 Summary of Significant Accounting Policies (continued)

B. Basis of Presentation – (continued)

Invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation and reduced by outstanding balances for bonds, notes, and other debt that is attributed to the acquisition, construction, or improvement of those assets.

Restricted net assets result when constraints placed on net asset use are either externally imposed or imposed by law through constitutional provisions or enabling legislation.

Unrestricted net assets consist of net assets that do not meet the definition of the two preceding categories. Unrestricted net assets often have constraints on resources that are imposed by management, but can be removed or modified.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function and 2) grants, contributions and interest that are restricted to meeting the operational or capital requirements of a particular function. Property tax and other items not properly included among program revenues are reported instead as general revenues.

Fund Financial Statements – Separate financial statements are provided for governmental, proprietary and fiduciary funds, even though the latter are excluded from the government wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as other nonmajor governmental funds. Combining schedules are also included for the Capital Projects Accounts.

The District reports the following major governmental funds:

The General Fund is the general operating fund of the District. All general tax revenues and other receipts that are not allocated by law or contractual agreement to some other fund are accounted for in this fund. From the fund are paid the general operating expenditures, including instructional, support and other costs.

The Capital Projects Fund is used to account for all resources used in the acquisition and construction of capital facilities.

The Debt Service Fund is utilized to account for property tax and other revenues to be used for the payment of principal and interest on the District's general long term debt.

**COUNCIL BLUFFS COMMUNITY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2012**

NOTE 1 Summary of Significant Accounting Policies (continued)

B. Basis of Presentation - (continued)

The District reports the following major proprietary fund:

The District's proprietary fund is the Enterprise, School Nutrition Fund. This fund is used to account for the food service operations of the District.

Additionally, the District reports the following additional proprietary fund:

The Internal Service Fund is used to account for operations that provide services to other departments or agencies of the District on a cost-reimbursement basis.

The District also reports the following fiduciary fund which focuses on net assets and changes in net assets.

The Agency Fund is used to account for assets held by the District as an agent for individuals, private organizations and other governments. The Agency Fund is custodial in nature, assets equal liabilities, and does not involve measurement of results of operations.

C. Measurement Focus and Basis of Accounting

The government-wide, proprietary and fiduciary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property tax is recognized as revenue in the year for which it is levied. Grants and similar items are recognized as revenues as soon as all eligibility requirements imposed by the provider have been satisfied.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days after year end.

Property tax, intergovernmental revenues (shared revenues, grants and reimbursements from other governments) and interest associated with the current fiscal period are all considered to be susceptible to accrual. All other revenue items are considered to be measurable and available only when cash is received by the District.

**COUNCIL BLUFFS COMMUNITY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2012**

NOTE 1 Summary of Significant Accounting Policies (continued)

C. Measurement Focus and Basis of Accounting - (continued)

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, principal and interest on long-term debt, claims and judgments, and compensated absences are recognized as expenditures only when payment is due. Capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

Under terms of grant agreements, the District funds certain programs by a combination of specific cost-reimbursement grants and general revenues. Thus, when program expenses are incurred, there are both restricted and unrestricted net assets available to finance the program. It is the District's policy to first apply cost-reimbursement grant resources to such programs, and then general revenues.

When an expenditure is incurred in governmental funds which can be paid using either restricted or unrestricted resources, the District's policy is generally to first apply the expenditure toward restricted fund balance and then to less-restrictive classifications - committed, assigned and then unassigned fund balances. The proprietary fund of the District applies all applicable GASB pronouncements as well as the following pronouncements issued on or before November 30, 1989, unless these pronouncements conflict with or contradict GASB pronouncements: Financial Accounting Standards Board Statements and Interpretations, Accounting Principles Board Opinions, and Accounting Research Bulletins of the Committee on Accounting Procedure.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the District's Enterprise Fund are charges to customers for sales and services. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

The District maintains its financial records on the cash basis. The financial statements of the District are prepared by making memorandum adjusting entries to the cash basis financial records.

D. Assets, Liabilities and Fund Equity

The following accounting policies are followed in preparing the financial statements:

Cash, Pooled Investments and Cash Equivalents - The cash balances of most District funds are pooled and invested. Investments are stated at fair value except for the investment in the Iowa Schools Joint Investment Trust which is valued at amortized cost and non-negotiable certificates of deposit which are stated at cost.

**COUNCIL BLUFFS COMMUNITY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2012**

NOTE 1 Summary of Significant Accounting Policies (continued)

D. Assets, Liabilities and Fund Equity - (continued)

For purposes of the statement of cash flows, all short-term cash investments that are highly liquid are considered to be cash equivalents. Cash equivalents are readily convertible to known amounts of cash and, at the day of purchase, they have a maturity date no longer than three months.

Property Tax Receivable – Property tax in the governmental funds are accounted for using the modified accrual basis of accounting.

Property tax receivable is recognized in these funds on the levy or lien date, which is the date that the tax asking is certified by the Board of Education. Delinquent property tax receivable represents unpaid taxes for the current and prior years. The succeeding year property tax receivable represents taxes certified by the Board of Education to be collected in the next fiscal year for the purposes set out in the budget for the next fiscal year. By statute, the District is required to certify its budget in April of each year for the subsequent fiscal year. However, by statute, the tax asking and budget certification for the following fiscal year becomes effective on the first day of that year. Although the succeeding year property tax receivable has been recorded, the related revenue is deferred in both the government-wide and fund financial statements and will not be recognized as revenue until the year for which it is levied.

Property tax revenue recognized in these funds becomes due and collectible in September and March of the fiscal year with a 1½% per month penalty for delinquent payments; is based on January 1, 2010 assessed property valuations; is for the tax accrual period July 1, 2011 through June 30, 2012 and reflects the tax asking contained in the budget certified to the County Board of Supervisors in April, 2011.

Due from Other Governments – Due from other governments represents amounts due from the State of Iowa, various shared revenues, grants and reimbursements from other governments.

Inventories – Inventories are valued at cost using the first-in, first-out method for purchased items and government commodities. Inventories of proprietary funds are recorded as expenses when consumed rather than when purchased or received.

Capital Assets – Capital assets, which include property, machinery, equipment and intangibles, are reported in the applicable governmental or business-type activities columns in the government-wide Statement of Net Assets. Capital assets are recorded at historical cost. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Capital assets are defined by the District as assets with an initial, individual cost in excess of the following thresholds and estimated useful lives in excess of two years.

**COUNCIL BLUFFS COMMUNITY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2012**

NOTE 1 Summary of Significant Accounting Policies (continued)

D. Assets, Liabilities and Fund Equity - (continued)

<u>Asset Class</u>	<u>Amount</u>
Land	\$ 500
Buildings	5,000
Land improvements	5,000
Intangibles	200,000
Furniture and equipment:	
School Nutrition Fund equipment	500
Other machinery and equipment	5,000

Capital assets are depreciated using the straight line method of depreciation over the following estimated useful lives:

<u>Asset Class</u>	<u>Estimated Useful Lives</u>
Buildings	50 years
Land improvements	20 years
Intangibles	5 years
Machinery and equipment	5-15 years

Salaries and Benefits Payable – Payroll and related expenditures for teachers with annual contracts corresponding to the current school year, which is payable in July and August, have been accrued as liabilities.

Deferred Revenue – Although certain revenues are measurable, they are not available. Available means collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue in the governmental fund financial statements represent the amount of assets that have been recognized, but the related revenue has not been recognized since the assets are not collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue consists of unspent grant proceeds as well as property tax receivables and other receivables not collected within sixty days after year end.

Deferred revenue on the Statement of Net Assets consists of succeeding year property tax receivable that will not be recognized as revenue until the year for which it is levied.

Compensated Absences – District employees accumulate a limited amount of earned but unused vacation for subsequent use or for payment upon termination, death or retirement. A liability is recorded when incurred in the government-wide financial statements. A liability for these amounts is reported in governmental funds only for employees that have resigned or retired. The compensated absences liability has been computed based on rates of pay in effect at June 30, 2012. The compensated absences liability attributable to the governmental activities will be paid primarily by the General Fund.

**COUNCIL BLUFFS COMMUNITY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2012**

NOTE 1 Summary of Significant Accounting Policies (continued)

D. Assets, Liabilities and Fund Equity - (continued)

Long-term liabilities – In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the governmental activities column in the Statement of Net Assets.

Fund Equity – In the governmental fund financial statements, fund balances are classified as follows:

Nonexpendable – Amounts not in spendable form, such as inventories and prepaid expenses.

Restricted – Amounts restricted to specific purposes when constraints placed on the use of the resources are either externally imposed by creditors, grantors or state or federal laws or imposed by law through constitutional provisions or enabling legislation.

Committed – Amounts which can be used for specific purposes determined pursuant to constraints formally imposed by the Board of Education through resolution approved prior to year end. Those committed amounts cannot be used for any other purpose unless the Board of Education removes or changes the specified use by taking the same action it employed to commit those amounts.

Unassigned – All amounts not included in other spendable classifications.

E. Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2012, disbursements did not exceed the budgeted amounts. The District did not exceed its General Fund unspent authorized budget.

NOTE 2 Cash and Pooled Investments

The District's deposits in banks at June 30, 2012 were entirely covered by federal depository insurance, or by the State Sinking Fund, in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

The District is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the Board of Education; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

COUNCIL BLUFFS COMMUNITY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2012

NOTE 2 Cash and Pooled Investments - Continued

At June 30, 2012, the District had investments in the Iowa Schools Joint Investment Trust Direct Government Obligations Portfolio which are valued at an amortized cost of \$22,091,850.

Credit risk – The investment in the Iowa Schools Joint Investment Trust was rated AAA by Moody's Investors Service.

NOTE 3 Interfund Transfers

The detail of interfund transfers for the year ended June 30, 2012 is as follows:

<u>Transfer to</u>	<u>Transfer from</u>	<u>Amount</u>
Debt Service	Capital Projects	\$ <u>6,603,657</u>

Transfers generally move revenues from the fund statutorily required to collect the resources, to the fund statutorily required to expend the resources.

COUNCIL BLUFFS COMMUNITY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2012

NOTE 4 Capital Assets

Capital assets activity for the year ended June 30, 2012 is as follows:

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Governmental activities				
Capital assets not being depreciated:				
Land	\$ 1,530,039	-	-	1,530,039
Construction in progress	62,188,860	9,825,352	64,553,557	7,460,655
Total capital assets not being depreciated	63,718,899	9,825,352	64,553,557	8,990,694
Capital assets being depreciated:				
Buildings and land improvements	105,897,647	64,553,557	-	170,451,204
Machinery and equipment	2,502,434	115,484	-	2,617,918
Intangible assets	949,326	-	-	949,326
Total capital assets being depreciated	109,349,407	64,669,041	-	174,018,448
Less accumulated depreciation for:				
Buildings and land improvements	35,843,101	7,585,185	-	43,428,286
Machinery and equipment	2,423,481	44,877	-	2,468,358
Intangible assets	949,326	-	-	949,326
Total accumulated depreciation	39,215,908	7,630,062	-	46,845,970
Total capital assets being depreciated, net	70,133,499	57,038,979	-	127,172,478
Governmental activities capital assets, net	\$ 133,852,398	66,864,331	64,553,557	136,163,172
	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Business-type activities:				
Furniture and equipment	\$ 1,385,735	1,850	-	1,387,585
Less accumulated depreciation	1,084,102	44,603	-	1,128,705
Business-type activities capital assets, net	\$ 301,633	(42,753)	-	258,880

Depreciation expense was charged by the District as follows:

Governmental activities:		
Instruction:		
Regular	\$	10,308
Other		1,648
Support Services:		
Administration		3,543
Operation and maintenance of plant		21,241
Transportation		8,137
		44,877
Unallocated depreciation		7,585,185
Total governmental activities depreciation expense	\$	7,630,062
Business-type activities:		
Food services	\$	44,603

**COUNCIL BLUFFS COMMUNITY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2012**

NOTE 5 Long-Term Liabilities

Changes in long-term liabilities for the year ended June 30, 2012 are summarized as follows:

	Balance Beginning of Year	Additions	Reductions	Balance End of Year	Due Within One Year
Governmental activities:					
General obligation bonds	\$ 4,500,000	-	1,000,000	3,500,000	1,000,000
Revenue bonds	59,905,000	9,500,000	-	69,405,000	2,495,000
Quality Zone Academy bonds	1,500,000	-	-	1,500,000	-
Qualified school construction bonds	5,650,000	-	-	5,650,000	-
Compensated absences	228,807	216,111	228,807	216,111	216,111
Early retirement	688,086	-	640,894	47,192	47,192
Net OPEB liability	391,312	719,501	668,798	442,015	-
Total	\$ 72,863,205	10,435,612	2,538,499	80,760,318	3,758,303

	Balance Beginning of Year	Additions	Reductions	Balance End of Year	Due Within One Year
Business type activities:					
Compensated absences	\$ 12,223	6,523	12,223	6,523	6,523
Net OPEB liability	32,226	52,816	51,202	33,840	-
Total	\$ 44,444	59,339	63,425	40,363	6,523

General Obligation Bonds

Details of the District's June 30, 2012 general obligation bonded indebtedness are as follows:

Year Ending June 30,	Bond Issued May 3, 2010			
	Interest Rate	Principal	Interest	Total
2013	1.750 %	\$ 1,000,000	60,125	1,060,125
2014	1.875 %	1,000,000	42,312	1,042,312
2015	1.875 %	1,000,000	23,563	1,023,563
2016	1.900 %	500,000	4,750	504,750
		\$ 3,500,000	130,750	3,630,750

COUNCIL BLUFFS COMMUNITY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2012

NOTE 5 Long-Term Liabilities - Continued

Details of the District's June 30, 2012 statewide sales, services and use tax revenue bonded indebtedness are as follows:

Year Ending June 30,	Bond Issue of March 1, 2010 Series A			
	Interest Rate	Principal	Interest	Total
2013	3.00 %	\$ 510,000	538,588	1,048,588
2014	3.00 %	525,000	523,063	1,048,063
2015	3.00 %	550,000	506,938	1,056,938
2016	3.00 %	550,000	490,438	1,040,438
2017	4.00 %	575,000	470,688	1,045,688
2018-2022	4.00 %	3,225,000	1,981,440	5,206,440
2023-2027	4.125-4.50 %	3,925,000	1,245,222	5,170,222
2028-2030	4.75 %	3,350,000	279,065	3,629,065
		<u>\$ 13,210,000</u>	<u>6,035,442</u>	<u>19,245,442</u>

Year Ending June 30,	Bond Issue of April 1, 2010 Series B			
	Interest Rate	Principal	Interest	Total
2013	4.00 %	\$ 1,100,000	1,227,176	2,327,176
2014	4.00 %	1,120,000	1,182,776	2,302,776
2015	4.00 %	1,140,000	1,137,576	2,277,576
2016	4.00 %	1,170,000	1,091,376	2,261,376
2017	4.00 %	1,200,000	1,043,976	2,243,976
2018-2022	4.00-4.25 %	6,665,000	4,446,805	11,111,805
2023-2027	4.375-5.00 %	8,200,000	2,845,719	11,045,719
2028-2030	5.00 %	7,405,000	677,378	8,082,378
		<u>\$ 28,000,000</u>	<u>13,652,782</u>	<u>41,652,782</u>

Year Ending June 30,	Bond Issue of April 1, 2011			
	Interest Rate	Principal	Interest	Total
2013	2.00 %	\$ 885,000	765,076	1,650,076
2014	2.50 %	595,000	748,789	1,343,789
2015	2.50 %	540,000	734,601	1,274,601
2016	3.00 %	580,000	719,151	1,299,151
2017	3.50 %	605,000	699,864	1,304,864
2018-2022	3.50-4.00 %	3,425,000	3,129,568	6,554,568
2023-2027	4.00-4.50 %	5,400,000	2,297,193	7,697,193
2028-2030	4.75-5.00 %	6,665,000	606,829	7,271,829
		<u>\$ 18,695,000</u>	<u>9,701,071</u>	<u>28,396,071</u>

Year Ending June 30,	Bond Issue of March 1, 2012			
	Interest Rate	Principal	Interest	Total
2013	-	\$ -	192,828	192,828
2014	2.00 %	395,000	227,480	622,480
2015	2.00 %	475,000	218,780	693,780
2016	2.00 %	485,000	209,180	694,180
2017	2.00 %	495,000	199,380	694,380
2018-2022	2.00-2.50 %	2,630,000	837,463	3,467,463
2023-2027	2.50-2.75 %	2,950,000	499,718	3,449,718
2028-2030	2.75-3.00 %	2,070,000	97,900	2,167,900
		<u>\$ 9,500,000</u>	<u>2,482,729</u>	<u>11,982,729</u>

**COUNCIL BLUFFS COMMUNITY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2012**

NOTE 5 Long-Term Liabilities - Continued

Year Ending June 30,	Total Revenue Bonds		
	Principal	Interest	Total
2013	\$ 2,495,000	2,723,668	5,218,668
2014	2,635,000	2,682,108	5,317,108
2015	2,705,000	2,597,895	5,302,895
2016	2,785,000	2,510,145	5,295,145
2017	2,875,000	2,413,908	5,288,908
2018-2022	15,945,000	10,395,276	26,340,276
2023-2027	20,475,000	6,887,852	27,362,852
2028-2030	19,490,000	1,661,172	21,151,172
	<u>\$ 69,405,000</u>	<u>31,872,024</u>	<u>101,277,024</u>

The District has pledged future statewide sales, services and use tax revenues to repay the \$69,405,000 bonds issued March 1, 2010, April 1, 2010, April 1, 2011 and March 1, 2012. The bonds were issued for the purpose of defraying a portion of the costs of renovating buildings within the District. The bonds are payable solely from the proceeds of the statewide sales, services and use tax revenues received by the District and are payable through 2030. The bonds are not a general obligation of the District. However, the debt is subject to the constitutional limitation of the District. Annual principal and interest payments on the bonds are expected to require nearly 60% of statewide sales, services and use tax revenues. The total principal and interest remaining to be paid on the bonds is \$101,277,024. For the current year interest paid on the bonds and total statewide sales, services and use tax revenues were \$2,375,856 and \$8,203,544, respectively.

The resolution providing for the issuance of the statewide sales, services and use tax revenues includes the following provisions:

- a) \$5,993,498 of the proceeds from the issuance of the revenue bonds shall be deposited to a reserve account to be used solely for the purpose of paying principal and interest on the bonds if insufficient money is available in the sinking account. The accrued interest on the revenue bond proceeds shall be placed into a sinking account. The balance of the proceeds shall be deposited to the project account.
- b) The District will make transfers from the statewide sales, services and use tax account and those proceeds shall be placed in a Revenue Account.
- c) Monies in the revenue account shall be disbursed to make deposits into a sinking account to pay the principal and interest requirements of the revenue bonds for the fiscal year.
- d) Any monies remaining in the revenue account after the required transfer to the sinking account may be transferred to the project account to be used for any lawful purpose.

**COUNCIL BLUFFS COMMUNITY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2012**

NOTE 5 Long-Term Liabilities - Continued

Quality Zone Academy Bond

During the year ended June 30, 2010, the District issued Quality Zone Academy Bonds (QZAB) which are held by Security Bank of Kansas City. Annual transfers from the Capital Projects Fund to a debt sinking fund will be made to pay the indebtedness due July 1, 2024, of \$1,500,000. Details of the District's June 30, 2012 QZAB bond indebtedness is as follows:

Year Ending June 30,	QZAB Bond Issue of November 24, 2009			
	Interest Rate	Principal	Interest	Total
2013	2.60 %	\$ -	33,750	33,750
2014	2.60 %	-	33,750	33,750
2015	2.60 %	-	33,750	33,750
2016	2.60 %	-	33,750	33,750
2017	2.60 %	-	33,750	33,750
2018-2022	2.60 %	-	168,750	168,750
2023-2025	2.60 %	1,500,000	84,375	1,584,375
		<u>\$ 1,500,000</u>	<u>421,875</u>	<u>1,921,875</u>

Qualified School Construction Bonds

During the year ended June 30, 2010, the District issued Qualified School Construction Bonds (QSCB). Annual transfers from the Capital Projects Fund to a debt sinking fund will be made to pay the indebtedness due July 1, 2025, of \$5,650,000. Details of the District's June 30, 2012 QSCB bond indebtedness is as follows:

Year Ending June 30,	QSCB Bond Issue of November 24, 2009			
	Interest Rate	Principal	Interest	Total
2013	2.60 %	\$ -	146,900	146,900
2014	2.60 %	-	146,900	146,900
2015	2.60 %	-	146,900	146,900
2016	2.60 %	-	146,900	146,900
2017	2.60 %	-	146,900	146,900
2018-2022	2.60 %	-	734,500	734,500
2023-2025	2.60 %	5,650,000	514,150	6,164,150
		<u>\$ 5,650,000</u>	<u>1,983,150</u>	<u>7,633,150</u>

Early Retirement

The District offered a voluntary early retirement incentive plan to its regular full-time (employee who works a minimum of thirty-seven and a half hours per week) and regular part-time (employee who works a minimum of twenty hours per week) employees for fiscal years 2010 and 2011.

**COUNCIL BLUFFS COMMUNITY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2012**

NOTE 5 Long-Term Liabilities - Continued

Early Retirement - Continued

Regular full-time employees are teachers, administrators, administrative assistants/secretaries or nurses that work a minimum of nine months or more each fiscal year, and regular full-time administrative assistants/secretaries must work a minimum of twelve months each fiscal year and are employed as defined in the collective bargaining agreement with the Communication Workers of America. Regular part-time employees are teachers or nurses that work a minimum of twenty hours per week.

Eligible employees must have reached age 55 at the actual date of retirement and are eligible to receive benefits from the Iowa Public Employees' Retirement System. The application is subject to approval by the District's Board of Education.

Early retirement benefits are for twenty-four months for employees who elected in 2010, and twelve months for employees who elected in 2011. The benefits are equal to \$700 per month for regular full-time employees, while part-time regular employees will receive a pro-rated share of \$700 per month based on the percentage of time the employee is contracted to work. Retirees have the option to receive the early retirement benefit as a cash payment or as payment of insurance premiums offered through the District's health insurance plan. For those retirees that choose the health insurance option, the premiums will be deducted from the early retirement benefit on a post-tax basis. Any remaining benefit after the payment of premiums each month will be paid to the retiree.

Early retirement benefits paid during the year ended June 30, 2012, totaled \$640,893. A liability has been recorded in the Statement of Net Assets representing the District's commitment to fund non-current early retirement.

NOTE 6 Pension and Retirement Benefits

The District contributes to the Iowa Public Employees Retirement System (IPERS) which is a cost-sharing multiple-employer defined benefit pension plan administered by the State of Iowa. IPERS provides retirement and death benefits which are established by state statute to plan members and beneficiaries. IPERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to IPERS, P.O. Box 9117, Des Moines, Iowa, 50306-9117.

Plan members are required to contribute 5.38% of their annual salary and the District is required to contribute 8.07% of annual covered payroll. Contribution requirements are established by state statute. The District's contribution to IPERS for the years ended June 30, 2012, 2011, and 2010, were \$4,322,897, \$3,816,135, and \$3,821,828, respectively, equal to the required contributions for each year.

COUNCIL BLUFFS COMMUNITY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2012

NOTE 7 Other Postemployment Benefits (OPEB)

Plan Description - The District operates a single-employer retiree benefit plan which provides medical/prescription drug and dental benefits for retirees and their spouses. There are 1,044 active and 98 retired members in the plan. Employees must be age 55 or older at retirement.

The medical/prescription drug benefit, which is a fully insured medical plan, is administered by United Health Care. The dental benefit, which is a fully insured dental plan, is administered by Delta Dental. Retirees under age 65 pay the same premium for the medical/prescription drug benefit as active employees, which results in an implicit subsidy and an OPEB liability. There is no subsidy or OPEB liability associated with the dental benefit.

Funding Policy - The contribution requirements of plan members are established and may be amended by the District. The District currently finances the retiree benefit plan on a pay-as-you-go basis.

Annual OPEB Cost and Net OPEB Obligation - The District's annual OPEB cost is calculated based on the annual required contribution (ARC) of the District, an amount actuarially determined in accordance with GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities over a period not to exceed 30 years.

The following table shows the components of the District's annual OPEB cost for the year ended June 30, 2012, the amount actually contributed to the plan and changes in the District's net OPEB obligation:

Annual required contribution	\$ 769,495
Interest on net OPEB obligation	16,941
Adjustment to annual required contribution	<u>(14,118)</u>
Annual OPEB cost	772,318
Contributions made	<u>(720,000)</u>
Increase in net OPEB obligation	52,318
Net OPEB obligation, beginning of year	<u>423,537</u>
Net OPEB obligation, end of year	\$ <u>475,855</u>

For calculation of the net OPEB obligation, the actuary has set the transition day as July 1, 2010. The end of year net OPEB obligation was calculated by the actuary as the cumulative difference between the actuarially determined funding requirements and the plans actual contributions for the year ended June 30, 2012.

For the year ended June 30, 2012, the District contributed \$720,000 to the medical plan. Plan members receiving benefits contributed \$554,000, or 43% of the premium costs.

**COUNCIL BLUFFS COMMUNITY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2012**

NOTE 7 Other Postemployment Benefits (OPEB) - Continued

The District's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan and the net OPEB obligation as of June 30, 2012 are summarized as follows:

Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
June 30, 2010	\$ 712,414	88.7 %	\$ 254,490
June 30, 2011	745,047	77.3 %	423,537
June 30, 2012	772,318	93.2 %	475,855

Funding Status and Funding Progress - As of July 1, 2010, the most recent actuarial valuation for the period July 1, 2011 through June 30, 2012, the actuarial accrued liability was \$7.683 million, with no actuarial value of assets, resulting in an unfunded actuarial accrued liability (UAAL) of \$7.683 million. The covered payroll (annual payroll of active employees covered by the plan) was approximately \$54.241 million, and the ratio of the UAAL to covered payroll was 14.1%. As of June 30, 2012, there were no trust fund assets.

Actuarial Methods and Assumptions - Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality and the health care cost trend. Actuarially determined amounts are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information in the section following the Notes to Financial Statements, will present multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Projections of benefits for financial reporting purposes are based on the plan as understood by the employer and the plan members and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

As of the July 1, 2010 actuarial valuation date, the unit credit actuarial cost method was used. The actuarial assumptions include a 4.0% discount rate based on the District's funding policy. The projected annual medical trend rate is 8.9%, and is reduced each year until reaching the ultimate medical trend rate of 4.7%.

Mortality rates are from the RP2000 Group Annuity Mortality Table, applied on a gender-specific basis. Annual retirement and termination probabilities were modeled from the retirement probabilities from the IPERS Actuarial Valuation Report as of June 30, 2009 and applying the termination factors used in IPERS Actuarial Report as of June 30, 2009. These probabilities were then modified to levels more appropriate for Iowa School Districts.

**COUNCIL BLUFFS COMMUNITY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2012**

NOTE 7 Other Postemployment Benefits (OPEB) - Continued

The projected claim costs of the medical plan are illustrated per month in the following table per age group used for calculations in the actuarial.

Age	Male		Female	
	Single	Family	Single	Family
55	\$ 698	\$ 1,433	\$ 733	\$ 1,431
60	910	1,786	875	1,785
64	1,145	2,197	1,052	2,197

The salary increase rate was assumed to be 4.0% per year. The UAAL is being amortized as a level percentage of projected payroll expense on an open basis over 30 years.

NOTE 8 Risk Management

Council Bluffs Community School District is exposed to various risks of loss related to torts; theft; damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by the purchase of commercial insurance. The District assumes liability for any deductibles and claims in excess of coverage limitations. Settled claims from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

NOTE 9 Area Education Agency

The District is required by the Code of Iowa to budget for its share of special education support, media and educational services provided through the area education agency. The District's actual amount for this purpose totaled \$3,542,694 for the year ended June 30, 2012 and is recorded in the General Fund by making a memorandum adjusting entry to the cash basis financial statements.

NOTE 10 Construction Commitment

The District has entered into various contracts for projects within the District. As of June 30, 2012, costs of \$7,460,656 had been incurred against the contracts. The balance of \$4,191,141 remaining at June 30, 2012 will be paid as work on the projects progresses.

**COUNCIL BLUFFS COMMUNITY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2012**

NOTE 11 Categorical Funding

The District's ending balances for categorical funding by project as of the year ended June 30, 2012 are as follows:

<u>Project</u>	<u>Amount</u>
At risk supplement	\$ 271,975
Drop out prevention	367,487
Voluntary preschool	21,495
Teacher salary supplement	462,557
Textbook aid – non public students	24,945
Reading recovery	3,289
Early childhood program – empowerment	75,847
Social studies leadership	<u>235</u>
	\$ <u>1,227,830</u>

NOTE 12 Operating Lease Obligation

The District leases buses for student transportation. Annual lease payments are \$351,000. Future required minimum lease payments are as follows:

<u>Year Ending June 30,</u>	<u>Amount</u>
2013	\$ 351,000
2014	<u>351,000</u>
	\$ <u>702,000</u>

NOTE 13 Subsequent Events

In September 2012, the District sold a school building for \$246,000.

REQUIRED SUPPLEMENTARY INFORMATION

**COUNCIL BLUFFS COMMUNITY SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE OF REVENUES, EXPENDITURES
AND CHANGES IN BALANCES - BUDGET AND ACTUAL -
ALL GOVERNMENTAL FUNDS AND PROPRIETARY FUND
REQUIRED SUPPLEMENTARY INFORMATION
YEAR ENDED JUNE 30, 2012**

	Governmental Fund Types Actual	Proprietary Fund Types Actual	Total Actual
Receipts:			
Local sources	\$ 54,659,387	1,239,130	55,898,517
State sources	55,525,497	39,624	55,565,121
Federal sources	7,369,888	3,551,312	10,921,200
Total receipts	<u>117,554,772</u>	<u>4,830,066</u>	<u>122,384,838</u>
Disbursements:			
Instruction	66,294,678	-	66,294,678
Support services	28,253,597	-	28,253,597
Non-instructional programs	-	4,183,237	4,183,237
Other expenditures	19,525,080	-	19,525,080
Total disbursements	<u>114,073,355</u>	<u>4,183,237</u>	<u>118,256,592</u>
Excess (deficiency) of receipts over (under) disbursements	3,481,417	646,829	4,128,246
Other financing sources, net	<u>9,611,835</u>	<u>-</u>	<u>9,611,835</u>
Excess (deficiency) of receipts and other financing sources over (under) disbursements and other financing uses	13,093,252	646,829	13,740,081
Balances beginning of year	<u>25,537,633</u>	<u>(302,635)</u>	<u>25,234,998</u>
Balances end of year	<u>\$ 38,630,885</u>	<u>344,194</u>	<u>38,975,079</u>

See Accompanying Independent Auditors' Report

Budgeted Amounts		Final to Actual Variance Positive (Negative)
Original	Final	
56,195,399	56,195,399	(296,882)
56,084,951	56,084,951	(519,830)
9,174,024	9,174,024	1,747,176
121,454,374	121,454,374	930,464
68,671,200	68,671,200	2,376,522
34,429,413	34,429,413	6,175,816
4,378,089	4,378,089	194,852
25,577,715	25,577,715	6,052,635
133,056,417	133,056,417	14,799,825
(11,602,043)	(11,602,043)	15,730,289
10,000,000	10,000,000	(388,165)
(1,602,043)	(1,602,043)	15,342,124
16,248,516	16,248,516	8,986,482
14,646,473	14,646,473	24,328,606

COUNCIL BLUFFS COMMUNITY SCHOOL DISTRICT
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION – BUDGETARY REPORTING
YEAR ENDED JUNE 30, 2012

This budgetary comparison is presented as Required Supplementary Information in accordance with *Governmental Accounting Standards Board* Statement No. 41 for governments with significant budgetary perspective differences resulting from not being able to present budgetary comparisons for the General Fund and each major Special Revenue Fund.

In accordance with the Code of Iowa, the Board of Education annually adopts a budget following required public notice and hearing for all funds, except internal service funds and agency funds. The budget may be amended during the year utilizing similar statutorily prescribed procedures. The District's budget is prepared on a GAAP basis.

Formal and legal budgetary control for the certified budget is based upon four major classes of expenditures known as functional areas, not by fund. These four functional areas are instruction, support services, non-instructional programs and other expenditures. Although the budget document presents function expenditures or expenses by fund, the legal level of control is at the aggregated function level, not by fund. The Code of Iowa also provides that District expenditures in the General Fund may not exceed the amount authorized by the school finance formula.

During the year ended June 30, 2012, expenditures did not exceed the budgeted amounts and the District did not exceed its General Fund unspent authorized budget.

**COUNCIL BLUFFS COMMUNITY SCHOOL DISTRICT
SCHEDULE OF FUNDING PROGRESS FOR THE
RETIREE HEALTH PLAN (In Thousands)
REQUIRED SUPPLEMENTARY INFORMATION
YEAR ENDED JUNE 30, 2012**

Year Ended June 30,	Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
2010	07/01/08	\$ -	\$ 7,670	\$ 7,670	0.0 %	\$ 57,052	13.4 %
2011	07/01/10	-	7,487	7,487	0.0 %	55,321	13.5 %
2012	07/01/10	-	7,683	7,683	0.0 %	54,241	14.1 %

See Note 7 in the accompanying Notes to Financial Statements for the plan description, funding policy, annual OPEB Cost and Net OPEB Obligation, funded status and funding progress.

See Accompanying Independent Auditors' Report

SUPPLEMENTARY INFORMATION

**COUNCIL BLUFFS COMMUNITY SCHOOL DISTRICT
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2012**

	Special Revenue		
	Management Levy	Student Activity	Total
Assets			
Assets:			
Cash and pooled investments	\$ 19,187	463,373	482,560
Receivables:			
Property Tax:			
Delinquent	33,267	-	33,267
Succeeding year	2,100,002	-	2,100,002
Accounts	-	4,289	4,289
Prepaid expenses	129,940	-	129,940
Total assets	\$ 2,282,396	467,662	2,750,058
Liabilities and Fund Balances			
Liabilities:			
Accounts payable	\$ -	19,618	19,618
Deferred revenue:			
Succeeding year property tax	2,100,002	-	2,100,002
Total liabilities	2,100,002	19,618	2,119,620
Fund balances:			
Nonspendable:			
Prepaid expenses	129,940	-	129,940
Restricted for:			
Management levy purposes	52,454	-	52,454
Student activities	-	448,044	448,044
Total fund balances	182,394	448,044	630,438
Total liabilities and fund balances	\$ 2,282,396	467,662	2,750,058

See Accompanying Independent Auditors' Report

**COUNCIL BLUFFS COMMUNITY SCHOOL DISTRICT
COMBINING SCHEDULE OF REVENUE, EXPENDITURES AND
CHANGES IN FUND BALANCES - NONMAJOR GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2012**

	Special Revenue		Total
	Management Levy	Student Activity	
Revenues:			
Local sources:			
Local Tax	\$ 2,072,584	-	2,072,584
Other	21,984	833,815	855,799
Total revenues	2,094,568	833,815	2,928,383
Expenditures:			
Current:			
Instruction:			
Regular instruction	73,848	-	73,848
Other instruction	-	805,410	805,410
	73,848	805,410	879,258
Support services:			
Instructional staff services	390,748	-	390,748
Administration services	1,302,461	-	1,302,461
Operation and maintenance of plant services	337,132	-	337,132
Transportation services	-	3,660	3,660
	2,030,341	3,660	2,034,001
Total expenditures	2,104,189	809,070	2,913,259
Net changes in fund balances	(9,621)	24,745	15,124
Fund balances beginning of year	192,015	423,299	615,314
Fund balances end of year	\$ 182,394	448,044	630,438

See Accompanying Independent Auditors' Report

**COUNCIL BLUFFS COMMUNITY SCHOOL DISTRICT
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2012**

	Capital Projects		
	Statewide Sales, Services and Use Tax	Physical Plant and Equipment Levy	Total
Assets			
Assets:			
Cash and pooled investments	\$ 10,559,878	3,682,702	14,242,580
Receivables:			
Property Tax:			
Delinquent	-	33,401	33,401
Succeeding year	-	2,095,816	2,095,816
Due from other governments	1,588,033	-	1,588,033
Total assets	\$ 12,147,911	5,811,919	17,959,830
Liabilities and Fund Balances			
Liabilities:			
Accounts payable	\$ 1,234,675	239,508	1,474,183
Deferred revenue:			
Succeeding year property tax	-	2,095,816	2,095,816
Total liabilities	1,234,675	2,335,324	3,569,999
Fund balances:			
Restricted for:			
School infrastructure	10,913,236	-	10,913,236
Physical plant and equipment	-	3,476,595	3,476,595
Total fund balances	10,913,236	3,476,595	14,389,831
Total liabilities and fund balances	\$ 12,147,911	5,811,919	17,959,830

See Accompanying Independent Auditors' Report

**COUNCIL BLUFFS COMMUNITY SCHOOL DISTRICT
COMBINING SCHEDULE OF REVENUE, EXPENDITURES AND
CHANGES IN FUND BALANCES - CAPITAL PROJECT ACCOUNTS
YEAR ENDED JUNE 30, 2012**

	Capital Projects		
	Statewide Sales, Services and Use Tax	Physical Plant and Equipment Levy	Total
Revenues:			
Local sources:			
Local Tax	\$ 8,203,544	2,096,471	10,300,015
Other	672,356	1,292,780	1,965,136
Federal sources	650,000	-	650,000
Total revenues	9,525,900	3,389,251	12,915,151
Expenditures:			
Current:			
Instruction:			
Regular instruction	156,885	26,778	183,663
Support services:			
Administration services	-	104,461	104,461
Operation and maintenance of plant services	-	198,585	198,585
Transportation services	-	351,000	351,000
	156,885	680,824	837,709
Other expenditures:			
Facilities acquisition	9,842,030	2,326,640	12,168,670
Long term debt:			
Interest and fiscal charges	167,585	-	167,585
	10,009,615	2,326,640	12,336,255
Total expenditures	10,166,500	3,007,464	13,173,964
Excess (deficiency) of revenues over (under) expenditures	(640,600)	381,787	(258,813)
Other financing sources (uses):			
Revenue bonds issued	9,611,835	-	9,611,835
Operating transfers out	(6,603,657)	-	(6,603,657)
Total other financing sources (uses)	3,008,178	-	3,008,178
Net changes in fund balances	2,367,578	381,787	2,749,365
Fund balances beginning of year	8,545,658	3,094,808	11,640,466
Fund balances end of year	\$ 10,913,236	3,476,595	14,389,831

See Accompanying Independent Auditors' Report

COUNCIL BLUFFS COMMUNITY SCHOOL DISTRICT
SCHEDULE OF CHANGES IN SPECIAL REVENUE FUND - STUDENT ACTIVITY ACCOUNTS
YEAR ENDED JUNE 30, 2012

	Balance Beginning of Year	Revenues	Expenditures	Intra School Transfers	Balance End of Year
Bloomer	\$ 7,042	(1,135)	3,135	-	2,772
Carter Lake	41,545	17,023	21,646	-	36,922
College View	7,607	56,038	43,660	2,765	22,750
Crescent	6,686	2,864	1,316	-	8,234
Edison	7,268	19,289	6,534	-	20,023
Franklin	10,421	7,843	5,118	-	13,146
Gunn	2,553	212	-	(2,765)	-
Hoover	5,276	504	3,660	5,659	7,779
Lewis & Clark	12,280	6,038	6,165	-	12,153
Longfellow	15,247	1,585	-	3,867	20,699
Pusey	3,867	-	-	(3,867)	-
Roosevelt	12,789	26,127	20,825	-	18,091
Rue	4,375	603	-	-	4,978
Walnut Grove	2,742	253	-	-	2,995
Washington	5,659	-	-	(5,659)	-
Kirn MS	82,362	65,658	92,294	-	55,726
Woodrow Wilson MS	52,963	63,088	72,715	-	43,336
Tucker Center	7,327	9,789	10,969	-	6,147
Thomas Jefferson HS	(1,857)	280,667	263,987	-	14,823
Abraham Lincoln HS	127,003	277,369	257,046	-	147,326
Kanesville AHS	10,144	-	-	-	10,144
Total	\$ 423,299	833,815	809,070	-	448,044

See Accompanying Independent Auditors' Report

COUNCIL BLUFFS COMMUNITY SCHOOL DISTRICT
SCHEDULE OF CHANGES IN FIDUCIARY ASSETS AND LIABILITIES – AGENCY FUND
YEAR ENDED JUNE 30, 2012

	<u>Balance Beginning of Year</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance End of Year</u>
Assets				
Cash	\$ -	780	-	780
Accounts Receivable	<u>-</u>	<u>206</u>	<u>-</u>	<u>206</u>
Total assets	<u>\$ -</u>	<u>986</u>	<u>-</u>	<u>986</u>
Liabilities				
Accounts payable	\$ -	825	-	825
Due to other governments	<u>-</u>	<u>161</u>	<u>-</u>	<u>161</u>
Total liabilities	<u>\$ -</u>	<u>986</u>	<u>-</u>	<u>986</u>

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COUNCIL BLUFFS COMMUNITY SCHOOL DISTRICT
SCHEDULE OF REVENUES BY SOURCE AND EXPENDITURE BY FUNCTION
ALL GOVERNMENTAL FUND TYPES
FOR THE LAST NINE YEARS

			Modified	Accrual
	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>
Revenues:				
Local sources:				
Local Tax	\$ 45,325,106	44,479,263	39,049,297	37,586,234
Tuition	2,777,515	2,192,571	2,246,918	1,871,096
Other	6,556,766	4,786,297	4,254,559	4,054,384
State sources	55,525,497	54,955,848	47,060,916	53,221,318
Federal sources	7,369,888	6,702,964	10,344,768	5,545,158
Total	<u>\$ 117,554,772</u>	<u>113,116,943</u>	<u>102,956,458</u>	<u>102,278,190</u>
Expenditures:				
Instruction:				
Regular instruction	\$ 33,131,109	32,567,873	34,086,154	35,654,436
Special instruction	29,276,353	31,085,908	27,812,408	15,480,975
Other instruction	3,887,216	4,500,693	4,737,108	11,706,642
Support services:				
Student services	2,829,534	2,542,273	2,558,412	3,675,037
Instructional staff services	3,463,196	1,363,587	1,991,979	1,187,846
Administration services	11,275,283	11,345,682	11,711,387	11,970,092
Operation and maintenance of plant services	7,647,550	7,795,108	8,349,843	8,389,631
Transportation services	3,038,034	3,042,152	2,830,114	2,626,647
Other support services	-	-	-	-
Non-instructional programs	-	-	-	3,844
Other expenditures:				
Facilities acquisition	12,168,670	39,262,078	24,107,373	19,862,198
Long-term debt:				
Principal	1,000,000	1,000,000	1,000,000	840,000
Interest and fiscal charges	2,813,716	1,947,050	475,576	325,437
AEA flowthrough	3,542,694	3,936,375	3,769,834	3,394,994
Total	<u>\$ 114,073,355</u>	<u>140,388,779</u>	<u>123,430,188</u>	<u>115,117,779</u>

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Basis				
2008	2007	2006	2005	2004
34,307,204	33,800,638	32,358,320	29,558,248	28,021,949
1,157,712	1,001,119	934,227	971,579	1,004,915
6,119,926	5,364,504	4,525,895	4,052,423	4,079,776
52,207,460	48,469,877	47,028,209	45,044,989	44,039,083
4,145,583	5,027,629	5,499,459	5,380,725	5,787,580
<u>97,937,885</u>	<u>93,663,767</u>	<u>90,346,110</u>	<u>85,007,964</u>	<u>82,933,303</u>
35,657,047	30,386,159	28,609,550	29,155,128	30,176,923
12,469,039	18,280,727	16,567,128	18,282,359	17,447,372
8,651,760	4,984,498	4,460,152	4,859,342	4,434,406
3,453,440	4,465,882	4,054,876	2,849,159	3,303,589
1,118,647	1,138,998	1,803,741	813,753	1,326,278
10,059,458	9,430,215	9,291,532	8,873,662	7,135,571
7,202,071	7,335,816	6,532,393	5,532,584	5,278,446
2,474,717	2,337,870	2,242,997	1,888,832	1,871,585
-	-	-	-	344,896
5,993	3,272	13,634	-	13,282
14,154,164	8,549,845	10,962,240	4,973,933	5,851,681
785,000	767,766	845,305	841,074	811,336
336,448	362,989	389,130	432,941	466,849
3,186,427	3,022,000	2,870,483	2,783,962	2,780,666
<u>99,554,211</u>	<u>91,066,037</u>	<u>88,643,161</u>	<u>81,286,729</u>	<u>81,242,880</u>

**COUNCIL BLUFFS COMMUNITY SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2012**

Grantor/Program	CFDA Number	Grant Number	Expenditures
Indirect:			
U.S. Department of Agriculture:			
Iowa Department of Education:			
School Nutrition Cluster Programs:			
School Breakfast Program	10.553	FY12	483,284
National School Lunch Program	10.555	FY12	2,706,115
Summer Food Service Program for Children	10.559	FY12	103,060
			<u>3,292,459</u>
Supplemental Nutrition Assistance Cluster Programs:			
Supplemental Nutrition Assistance	10.551	FY12	56,468
State Administrative Matching Grants for the Supplemental Nutrition Assistance Program	10.561	FY12	10,690
			<u>67,158</u>
Fresh Fruit and Vegetable Program	10.582	FY12	191,696
U.S. Department of Education:			
Iowa Department of Education:			
Title 1 Cluster Programs:			
Title 1 (Schools in Need of Assistance-SINA)	84.010	FY12	4,612
Title 1 Grants to Local Educational Agencies	84.010	FY12	2,219,140
ARRA-Title 1 Grants to Local Educational	84.389	FY12	81,752
			<u>2,305,504</u>
Safe and Supportive Schools Grants	84.184	FY12	11,418
Safe and Drug Free Schools and Communities - State Grants	84.186	FY12	8,925
Education for Homeless Children	84.196	FY12	21,645
Vocational Education - Basic Grants to States	84.048	FY12	124,392
Demonstration Construction Grants	84.215	FY12	650,000
Twenty First Century Learning Centers	84.287	FY12	145,918
Education Technology State Grant	84.318	FY12	17,621
Advanced Placement Program	84.330	FY12	6,188
Gaining Early Awareness and Readiness for Undergraduate Programs	84.334	FY12	75,601
Reading First State Grants	84.357	FY11	28
Title IIA - Teacher Quality Program	84.367	FY12	457,457
Title IVA - Grants for State Assessments	84.369	FY12	56,076
Education Job Funds	84.410	FY12	1,962,373

COUNCIL BLUFFS COMMUNITY SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2012

<u>Grantor/Program</u>	<u>CFDA Number</u>	<u>Grant Number</u>	<u>Expenditures</u>
U.S. Department of Education - Continued: Iowa Department of Education - Continued:			
Learn and Serve America - School and Community Based Programs	94.003	FY12	10,349
Green Hills Area Education Agency: Special Education - Grants to State	84.027	FY12	528,579
Title III - English Language Acquisition State Grants	84.365	FY12	34,457
U.S. Department of Homeland Security: Iowa Department of Public Defense: Iowa Homeland Security and Emergency Management Division:			
Disaster Grants - Public Assistance	97.036	FEMA-DRIA	3,558
Total			\$ <u>9,971,402</u>

* Includes \$293,001 of non cash awards

Basis of Presentation - The Schedule of Expenditures of Federal Awards includes the federal grant activity of Council Bluffs Community School District. The financial statements of the School District are presented on the accrual or modified accrual basis of accounting. The information on this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

See Accompanying Independent Auditors' Report

**INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL
OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS
BASED ON AN AUDIT PERFORMED IN ACCORDANCE
WITH GOVERNMENT AUDITING STANDARDS**



Diane McGrain, CPA
Jim Menard, CPA

January 5, 2013

**Independent Auditors' Report on Internal Control Over Financial Reporting
and on Compliance and Other Matters Based on an Audit Performed
in Accordance with Government Auditing Standards**

The Board of Education of
Council Bluffs Community School District
Council Bluffs, IA 51503

We have audited the financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund balance information of the Council Bluffs Community School District as of and for the year ended June 30, 2012, and have issued our report thereon dated January 5, 2013. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

The management of Council Bluffs Community School District is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered Council Bluffs Community School District's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing our opinion on the effectiveness of Council Bluffs Community School District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Council Bluffs Community School District's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses and, therefore, there can be no assurance all deficiencies, significant deficiencies or material weaknesses have been identified. However, as described in the accompanying Schedule of Findings and Questioned Costs, we identified a certain deficiencies in internal control over financial reporting we consider to be material weaknesses and other deficiencies we consider to be significant deficiencies.

Continued. . .

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January 5, 2013
Council Bluffs Community School District
Internal Control and Compliance Report

A deficiency in internal control exists when the design or operation of the control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility a material misstatement of the District's financial statements will not be prevented or detected and corrected on a timely basis. We consider the deficiencies in internal control described in Part II of the accompanying Schedule of Findings and Questioned Costs as items II-A-12, II-B-12 and II-D-12 to be material weaknesses.

A significant deficiency is a deficiency or a combination of deficiencies in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiency described in Part II of the accompanying Schedule of Findings and Questioned Costs as item II-C-12 to be a significant deficiency.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Council Bluffs Community School District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*. However, we noted certain immaterial instances of non-compliance that are described in Part IV of the accompanying Schedule of Findings and Questioned Costs.

Comments involving statutory and other legal matters about the District's operations for the year ended June 30, 2012 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the District. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

Council Bluffs Community School District's responses to findings identified in our audit are described in the accompanying Schedule of Findings and Questioned Costs. While we have expressed our conclusions on the District's responses, we did not audit Council Bluffs Community School District's responses and, accordingly, we express no opinion on them.

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of the Council Bluffs Community School District, and other parties to whom the Council Bluffs Community School District may report, including federal awarding agencies and pass through entities. This report is not intended to be and should not be used by anyone other than these specified parties.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of Council Bluffs Community School District during the course of our audit. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.

Schroer & Associates, P.C.

**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH
REQUIREMENTS APPLICABLE TO EACH MAJOR PROGRAM
AND INTERNAL CONTROL OVER COMPLIANCE
IN ACCORDANCE WITH OMB CIRCULAR A-133**

January 5, 2013

**Independent Auditors' Report on Compliance With Requirements
Applicable to Each Major Program and Internal Control Over Compliance
In Accordance With OMB Circular A-133**

To Board of Education of
Council Bluffs Community School District
Council Bluffs, IA 51503

Compliance

We have audited the compliance of Council Bluffs Community School District with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 *Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2012. Council Bluffs Community School District's major federal programs are identified in Part I of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of Council Bluffs Community School District's management. Our responsibility is to express an opinion on Council Bluffs Community School District's compliance based on our audit.

We conducted our audit of compliance in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether non-compliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Council Bluffs Community School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on Council Bluffs Community School District's compliance with those requirements.

In our opinion, Council Bluffs Community School District complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2012.

Continued. . .

January 5, 2013
Council Bluffs Community School District
Major Program Compliance Report

Internal Control Over Compliance

The management of Council Bluffs Community School District is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grant agreements applicable to federal programs. In planning and performing our audit, we considered Council Bluffs Community School District's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing our opinion on the effectiveness of Council Bluffs Community School District's internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Council Bluffs Community School District's internal control over compliance.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over compliance that might be significant deficiencies or material weaknesses and, therefore, there can be no assurance all deficiencies, significant deficiencies or material weaknesses have been identified. However, as discussed below, we identified a deficiency in internal control over compliance we consider to be a material weakness.

A deficiency in the District's internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance such that there is a reasonable possibility material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected and corrected on a timely basis. We consider the deficiency in internal control over compliance described in the accompanying Schedule of Findings and Questioned Costs as item III-A-12 to be a material weakness.

Council Bluffs Community School District's responses to findings identified in our audit are described in the accompanying Schedule of Findings and Questioned Costs. While we have expressed our conclusions on the District's responses, we did not audit the District's responses and, accordingly, we express no opinion on them.

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of Council Bluffs Community School District and other parties to whom Council Bluffs Community School District may report, including federal awarding agencies and pass-through entities. This report is not intended to be and should not be used by anyone other than these specified parties.

Schroer & Associates, P.C.

**COUNCIL BLUFFS COMMUNITY SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2012**

Part I: Summary of the Independent Auditors' Results:

- (a) Unqualified opinions were issued on the financial statements.
- (b) Significant deficiencies and material weaknesses in internal control over financial reporting were disclosed by the audit of the financial statements.
- (c) The audit did not disclose any non-compliance which is material to the financial statements.
- (d) A material weakness in internal control over the major programs was disclosed by the audit of the financial statements.
- (e) An unqualified opinion was issued on compliance with requirements applicable to each major program.
- (f) The audit disclosed an audit finding which was required to be reported in accordance with Office of Management and Budget Circular A-133, Section .510(a).
- (g) Major programs were as follows:
 - Clustered programs:
 - CFDA Number 10.553 – School Breakfast Program
 - CFDA Number 10.555 – National School Lunch Program
 - CFDA Number 10.559 – Summer Food Service Program for Children
 - Clustered programs:
 - CFDA Number 84.010 – Title I – Schools in Need of Assistance (SINA)
 - CFDA Number 84.010 – Title I – Grants to Local Educational Agencies
 - CFDA Number 84.389 – Title I – Grants to Local Educational Agencies, Recovery Act
 - Individual program:
 - CFDA Number 84.027 – Special Education – Grants to States (Part B)
 - Individual program
 - CFDA Number 84.215 – Demonstration Construction Grants – State Grants
 - Individual program
 - CFDA Number 84.367 – Title IIA – Teacher Quality Program
 - Individual program
 - CFDA Number 84.410 – Education Job Funds
- (h) The dollar threshold used to distinguish between Type A and Type B programs was \$300,000.
- (i) Council Bluffs Community School District did not qualify as a low-risk auditee.

**COUNCIL BLUFFS COMMUNITY SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2012**

Part II: Findings Related to the Financial Statements:

INTERNAL CONTROL DEFICIENCIES:

II-A-12 Financial Reporting

Comment – During the audit, we identified material misclassifications and material amounts of capital asset additions not recorded in the District's financial statements. Adjustments were subsequently made by the District to properly report. In addition, we noted input errors to the software resulted in transactions not being included in the financial reports generated. Net income per the revenue less disbursements reports did not always reconcile to the balance sheet reports.

Recommendation – The District should implement procedures to ensure all capital asset additions are identified and included in the District's financial statements. Financial reports should be reviewed monthly to determine financial statement detail reflects all transactions.

Response – Input errors were due to temporary personnel reconstructing information. We do review financial reports for accurate reflection of all transactions at least monthly. We will update our capital asset records.

Conclusion – Response accepted.

II-B-12 Disaster Recovery

Comment – During the audit period, the District transitioned from an offsite software program to an onsite program. The District did not have an adequate disaster recovery plan, which included multiple backups. This resulted in a total loss of financial year transactions and financial software applications that could not be restored, and therefore, had to be reconstructed.

Recommendation – The District should implement an adequate disaster recovery plan that includes multiple period back-ups and recovery processes.

Response – We have reviewed and implemented a reliable disaster recovery plan. The IT department is doing weekly backups and storing data at an offsite location. The finance department will keep paper documentation so reconstruction is possible.

Conclusion – Response accepted.

**COUNCIL BLUFFS COMMUNITY SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2012**

Part II: Findings Related to the Financial Statements (continued):

INTERNAL CONTROL DEFICIENCIES (continued):

II-C-12 Disbursement Approval

Comment – Transactions tested for dates of August 3 – September 29, and November 16 – December 21, there was no evidence of Board approval.

Recommendation – The District should ensure all expenditures are properly approved. The District should also review the list of bills presented to the Board at regular meetings to ensure all claims are included.

Response – The district has put procedures in place to reconcile board reports to check registers to ensure all payments are submitted to board for approval. Corrective action was taken after this prior year audit comment was made. After that point, no transactions were missed.

Conclusion – Response accepted.

II-D-12 Payroll Classifications

Comment – We noted employee cost center classification codes were not always properly updated to reflect staff change allocations to categorical and federally funded cost centers.

Recommendation – Program coordinators should review teacher classification codes before the start of the school year to determine proper cost allocations are made to categorical and federal funding cost centers. This results in fewer adjusting entries to correct the costs incurred.

Response – We have implemented a system to review the employee classification codes.

Conclusion – Response accepted.

INSTANCES OF NONCOMPLIANCE:

No matters were reported.

**COUNCIL BLUFFS COMMUNITY SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2012**

Part III: Findings and Questioned Costs for Federal Awards:

INSTANCES OF NON-COMPLIANCE:

No matters were reported.

INTERNAL CONTROL DEFICIENCIES:

CFDA Number 84.010: Title I

CFDA Number 84.389: Title I

Federal Award Year: 2012

U.S. Department of Education Passed through the Iowa Department of Education

III-A-12 Payroll Classifications

Comment – We noted employee cost center classifications were not always properly updated to reflect staff change allocations to federally funded cost centers.

**COUNCIL BLUFFS COMMUNITY SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2012**

Part IV: Other Findings Related to Statutory Reporting:

IV-A-12 Certified Budget

Expenditures for the year ended June 30, 2012 did not exceed the certified budget amounts.

IV-B-12 Questionable Expenditures

No expenditures that may not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979 were noted.

IV-C-12 Travel Expense

No expenditures of District money for travel expenses of spouses of District officials or employees were noted. No travel advances to District officials or employees were noted.

IV-D-12 Business Transactions

No business transactions between the District and District officials were noted.

IV-E-12 Bond Coverage

Surety bond coverage of District officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to insure that the coverage is adequate for current operations.

IV-F-12 Board Minutes

Comment – As previously noted, several transactions requiring board approval were not noted in the minutes as being approved by the board.

Recommendation – All expenditures should be approved by the board and included in the list of claims as required by Chapter 279.29 of the Code of Iowa.

Response – We will do this.

Conclusion – Response accepted.

**COUNCIL BLUFFS COMMUNITY SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2012**

Part IV: Other Findings Related to Statutory Reporting (continued):

IV-G-12 Certified Enrollment

Comment – We noted a variance in the basic enrollment data certified to the Department of Education. The number of students reported on Line 1 as resident students was overstated by 4.5 students.

Recommendation – The District should contact the Iowa Department of Education and the Department of Management to resolve this matter.

Response – The District's auditors will contact the Iowa Department of Education and Department of Management on our behalf to resolve this matter.

Conclusion – Response accepted.

IV-H-12 Supplemental Weighting

No variances in the supplemental weighting certified to the Department of Education were noted.

IV-I-12 Deposits and Investments

No instances of noncompliance with the deposit and investment provisions of Chapters 12B and 12C of the Code of Iowa and the District's investment policy were noted.

IV-J-12 Certified Annual Report

Comment - We noted significant variances in the amounts reported on the Certified Annual Report which were subsequently corrected by the District.

Recommendation –The District should review financial statement reports monthly for accuracy of financial statement detail.

Response – We will do this.

Conclusion – Response accepted.

IV-K-12 Categorical Funding

No instances were noted of categorical funding used to supplant rather than supplement other funds.

**COUNCIL BLUFFS COMMUNITY SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2012**

Part IV: Other Findings Related to Statutory Reporting (continued):

IV-L-12 Statewide Sales, Services and Use Tax

No instances of non-compliance with the use of the statewide sales, services and use tax revenue provisions of Chapter 423F.3 of the Code of Iowa were noted.

Pursuant to Chapter 423F.5 of the Code of Iowa, the annual audit is required to include certain reporting elements related to the statewide sales, services and use tax revenue. Districts are required to include these reporting elements in the Certified Annual Report (CAR) submitted to the Iowa Department of Education. For the year ended June 30, 2012, the following information includes the amounts the District reported for the statewide sales, services and use tax revenue in the District's CAR including adjustments identified during the fiscal year 2012 audit.

Beginning balance		\$	8,545,658
Revenues/transfers in:			
Sales tax revenues	\$	8,203,544	
Other local revenues		672,356	
Federal revenues		650,000	
Sale of long term debt		<u>9,611,835</u>	<u>19,137,735</u>
			27,683,393
Expenditures/transfers out:			
School infrastructure construction		9,998,915	
Bond issuance costs		167,585	
Transfers to the Debt Service Fund		<u>6,603,657</u>	<u>16,770,157</u>
Ending balance		\$	<u>10,913,236</u>

For the year ended June 30, 2012, the District reduced the following levy as a result of the moneys received under Chapter 423E or 423F of the Code of Iowa:

	Rate of Levy Reduction Per \$1,000 of Taxable Valuation	Property Tax Dollars Reduced
Debt service levy	\$ 3.15	\$ 6,603,657

**COUNCIL BLUFFS COMMUNITY SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2012**

Part IV: Other Findings Related to Statutory Reporting (continued):

IV-M-12 Revenue Bonds

The District is in compliance with the provisions of the revenue bond resolution.

IV-N-12 Checks Outstanding

Comment – We noted during the audit that the District had checks included in the bank reconciliations of the General, Nutrition and Activity Funds which have been outstanding for over three years.

Recommendation – The District should determine if the outstanding checks should be reissued, voided or submitted to the State as unclaimed property. If the checks are submitted as unclaimed property, the District must do so annually before November 1st as required by Chapter 556.1(10) and 556.11 of the Code of Iowa.

Response – The District will review all outstanding checks and make necessary adjustments.

Conclusion – Response accepted.

**COUNCIL BLUFFS COMMUNITY SCHOOL DISTRICT
SUMMARY SCHEDULE OF PRIOR FEDERAL AUDIT FINDINGS
YEAR ENDED JUNE 30, 2012**

Comment Reference	Comment Title	Status
III-A-11	Identification of Federal Receipts	Corrective Action Taken

**COUNCIL BLUFFS COMMUNITY SCHOOL DISTRICT
CORRECTIVE ACTION PLAN FOR FEDERAL AUDIT FINDINGS
YEAR ENDED JUNE 30, 2012**

Comment Number	Comment Title	Corrective Action Plan	Contact Person, Title, Phone Number	Anticipated Date of Completion
III-A-12	Payroll Classification	The correction plan was documented in our response to the auditors' comment. See the Schedule of Findings and Questioned Costs	Kristy Hansen, Director of Finance 712-328-6419	December 1, 2012